

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended

30 June 2020

I am responsible for the preparation of these financial statements, which are set out on pages 1 to 93, in terms of section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs' determination in accordance with the Act.



Mr. M-George

(Master's Degree in Development Studies
ND: Cost and Management Accounting)

Acting City Manager

30 October 2020

Date

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2020**

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NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2020

General Information

Legal form of entity	It is a Metropolitan Municipality established in terms of section 155 of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	Local Government
	The principal activities are:
	- To provide democratic and accountable government to the local communities;
	- To ensure sustainable service delivery to communities;
	- To promote social and economic development;
	- To promote a safe and healthy environment; and
	- Encourage the involvement of communities and community organisations in the matters of local government.
	The Municipality's operations are governed by the Municipal Finance Management Act (Act 56 of 2003), the Municipal Structures Act (Act 117 of 1998), the Municipal Systems Act (Act 32 of 2000) and various other acts and regulations.
Executive Mayor	Cllr T C S Buyeye (Interim)
Deputy Executive Mayor	Cllr T C S Buyeye
Speaker	Cllr B N Mafaya
Chief Whip	Cllr L Suka (Interim)
Members of the Mayoral Committee	Cllr A W Lungisa (Infrastructure and Engineering and Electricity and Energy) Cllr R Daaminds (Transport) Cllr M Feni (Corporate Services) Cllr N Q Pink (Safety and Security) Cllr M Daniels (Economic Development, Tourism and Agriculture) Cllr L Mfana (Sports, Recreation Arts and Culture) Cllr Y M Pali (Public Health) Cllr A C G Mfunda (Human Settlements) Cllr M J Mtsila (Budget and Treasury) Cllr I F Ranyele (Constituency Services) Cllr P Tshanga (MPAC)
Accounting Officer (City Manager)	M Mapu (Acting)
Chief Financial Officer (CFO)	S Thys

Chief Operating Officer (COO)	M George
Chief of Staff	N Nkomane
Metro Police Chief	Y Faro
Executive Directors	N Xhego (Acting - Corporate Services) A Qaba (Economic Development, Tourism and Agriculture) N Nqwazi (Sports, Recreation, Arts and Culture) Mr P Nodwele (Acting - Public Health) N Tetyana (Acting - Human Settlements) Mr L Magalela (Electricity and Energy) EW Shaidi (Infrastructure and Engineering) K Meyer (Safety and Security)
Members of the Audit Committee	Mr G Billson (Chairperson) Ms T Cumming Mr YE Amod Mr J Neves Mr SG Zamisa
Registered Office	1 st Floor City Hall
	Govan Mbeki Avenue
	Port Elizabeth
	6001
Business Address	1 st Floor City Hall
	Govan Mbeki Avenue
	Port Elizabeth
	6001
Postal Address	P O Box 116
	Port Elizabeth
	6000
Bankers	ABSA
Auditors	Auditor-General (SA)
Physical Address of Auditors	69 Frere Road
	Vincent
	East London
	5247
Postal Address of Auditors	P O Box 13252
	East London
	5217

1. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act (Act No 56 of 2003). In addition, these Annual Financial Statements include mandatory disclosures in accordance with the Municipal Finance Management Act (Act No 56 of 2003) and related regulations.

The Annual Financial Statements are prepared on the accrual basis of accounting and the transactions, assets and liabilities included in the financial statements are measured at historical cost unless specified otherwise.

With respect to accounting standards for material transactions, events or conditions not covered by Directive 5, the Municipality has developed accounting policies in accordance with paragraphs 8, 10 and 11 of GRAP 3, as read with Directive 5.

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's Annual Financial Statements, unless explicitly stated.

New standards now effective but not yet implemented:

Standard number	Standard name	Effective date from (if applicable)
GRAP 18	Segment Reporting	01 April 2020

GRAP 18 – Segment Reporting

The objective of this standard is to establish principles for reporting financial information by segments. It is expected that adoption of this standard will result in additional disclosures.

2. PRESENTATION AND FUNCTIONAL CURRENCY

These Annual Financial Statements are presented in South African Rand.

The functional currency of the Municipality is South African Rand. Financial values are rounded to the nearest one Rand.

3. GOING CONCERN ASSUMPTION

These Annual Financial Statements have been prepared on a going concern basis.

4. COMPARATIVE INFORMATION

4.1 Current year comparatives (Budget):

In accordance with GRAP 1 and 24, the Budget information has been presented on the face of the Statement of Financial Performance in these Annual Financial Statements.

4.2 Prior year comparatives:

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified and restated. Where accounting errors have been

identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year and the standards require retrospective adjustment, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The nature and reasons for the reclassifications and restatements are disclosed in Note 40 to the Annual Financial Statements.

5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

STANDARDS / INTERPRETATIONS

The following revised and newly approved Standards of GRAP have been approved and issued by the Accounting Standards Board but only become effective in the future or have not been given an effective date by the Minister of Finance. The Municipality has not early-adopted any new Standards or revised Standards of GRAP but has in some cases referred to them for guidance in developing appropriate accounting policies in accordance with the requirements of Directive 5: Determining the GRAP Reporting Framework.

Standard number	Standard name	Effective date (if applicable)
GRAP 34	Separate Financial Statements	No effective date
GRAP 35	Consolidated Financial Statements	No effective date
GRAP 36	Investments in Associates and Joint Ventures	No effective date
GRAP 37	Joint Arrangements	No effective date
GRAP 38	Disclosure of Interests in Other Entities	No effective date
GRAP 110	Living and Non-living Resources	No effective date

GRAP 34 - Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements. It is expected that adoption of this standard will not be significant.

GRAP 35 – Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It is expected that adoption of this standard will not be significant.

GRAP 36 - Investments in Associates and Joint Ventures

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity has an investment in one or more other entities. It is expected that adoption of this standard will not be significant.

GRAP 37 - Joint Arrangements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity has an investment in one or more other entities. It is expected that adoption of this standard will not be significant.

GRAP 38 - Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- (a) the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- (b) the effects of those interests on its financial position, financial performance and cash flows.

GRAP 110 - Living and Non-living Resources

This standard deals with living resources that undergo biological transformation and non-living resources that occur naturally and have not been extracted. It is expected that this standard will not be applicable to the Municipality, as we are not dealing with these resources currently.

6. SIGNIFICANT JUDGEMENTS

The use of judgement, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the relevant asset or liability in future periods.

Management has made the following significant judgement:

Heritage Assets

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an asset is acquired in exchange for a similar asset, the acquired asset is initially measured at the carrying value of the asset given up.

Where an asset is acquired in exchange for a dissimilar asset, the acquired item is initially measured at the fair value (the cost). If the acquired item's fair value is not determinable, the allocated deemed cost is the carrying amount of the asset given up.

Revenue from Exchange transactions:

Revenue from the sale of electricity prepaid meter cards is recognised at point of sale.

Allowances for Credit losses

On Consumer debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the estimated future cash flows based on the historical payment trend.

Other key judgements

Provisions and contingent liabilities

Management judgement is required when disclosing and measuring provisions and contingent liabilities. Provisions have been discounted where the effect of discounting is material. Refer to accounting policy Note 11.

Operating lease commitments – the Municipality as lessor

The Municipality has entered into commercial property leases on its investment property portfolio. The Municipality has determined that it retains all the significant risks and rewards of ownership of these properties and therefore has continued to recognise the investment properties.

Management's Going Concern Assessment:

Management considered the following matters relating to the Going Concern:

On 30 May 2019 the Council adopted the 2019/20 to 2021/22 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the on-going delivery of municipal services to residents reflected that the Budget was funded over the three-year period.

Management has thus prepared the Annual Financial Statements on the Going Concern basis.

7. SIGNIFICANT ESTIMATES AND ASSUMPTIONS

In the process of preparing the Municipality's Annual Financial Statements, management has made the following key estimates and assumptions:

Presentation of a comparison of budget and actual amounts

The Municipality presents a comparison of the budget amounts for which it is held publicly accountable and actual amounts as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP24. The comparison of budget and actual amounts present separately for each level of legislative oversight.

Provision for Rehabilitation of Refuse Landfill Sites

The Economic Entity has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost to rehabilitate the landfill sites in the future. The cost factors, as determined, have been applied and projected at an inflation rate of 2.2% (2019: 4.5%) and discounted to the present value:

- a) For Arlington and Koedoeskloof landfill sites, at the average short term borrowing cost of 11.14% (2019: 11.14%).
- b) The determined cost to rehabilitate IBhayi landfill site represents the present value.

Provision for Rehabilitation of Swartkops River

The provision is in relation to the Economic Entity's obligation to address the environmental pollution of the Swartkops River. The provision is based on the estimated costs to carry out the rehabilitation work of the wetland beside the Swartkops River, which was present valued at a rate of 11.14% (2019: 11.14%). The discount rate of 11.14% represents the Economic Entity's average borrowing costs rate and is applied as a discount rate.

Pension and other post-employment benefits

The cost of defined benefit pension plans (ex gratia pensions), other post-employment medical benefits, and the present value of the pension obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. For key assumptions, refer to Note 47 of the Annual Financial Statements.

Provision for gratuity pensions

Employees that were employed prior to the introduction of the Port Elizabeth Municipal Pension Benefit Fund and who subsequently joined the fund are eligible to be paid a standard gratuity, provided they have at least 10 years of service when they retire.

Employees that were employed prior to the introduction of the Port Elizabeth Municipal Pension Benefit Fund and who chose not to join the fund are eligible to be paid an Enhanced Gratuity for the years of service that they were not a member of the fund.

If an Employee eligible for a Gratuity Pension dies in service, half of the Gratuity Pension (including the monetary enhancement) as calculated at date of death, is paid.

Property, plant and equipment including Investment Properties and Intangible Assets

The useful life of assets are based on management's estimation. Management consider the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The Municipality maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain and thus residual values are determined to be nil for all assets.

Water inventory

The estimation of the water stock in the reservoirs are based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Refer to accounting policy Note 17.

8. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 1 April 1998, were transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The Housing Development Fund is included as one of the reserves within Accumulated Surplus.

9. ACCUMULATED FUNDS

The Municipality maintains various internal reserves in terms of specific requirements, which include:

- Capital Replacement Reserve (CRR): Internal reserve administered within the Accumulated Surplus for control purposes
- Capitalisation Reserve (CR): Internal reserve administered within the Accumulated Surplus for control purposes
- Donations and Public Contributions Reserve: Internal reserve administered within the Accumulated Surplus for control purposes
- Self-Insurance Reserve: Internal reserve administered within the Accumulated Surplus for control purposes.
- Government Grant Reserve: Internal reserve administered within the Accumulated Surplus for control purposes.
- Compensation for Occupational Injuries and Diseases (COID) Reserve

The Municipality has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases in terms of Section 84 of the COID Act, but is required to maintain a reserve of R10 million. This reserve is subject to annual review by the Commissioner.

The certificate of exemption issued by the Commissioner and as prescribed by the Compensation for Occupational Injuries and Diseases Act (No. 130 of 1993), requires that the Municipality deposit cash and/or securities relating to COID with the Commissioner. The combined market values shall not be less than the capitalised value of the continuing liability of the Municipality as at 31 December of each year.

The continuing liability is that of pensions, with the capitalised value being determined based on an actuarial determination as prescribed by the Commissioner. A COID reserve has been established to be equal to or greater than the value of the continuing liability. The Commissioner determines the market value of the securities annually and the Municipality is required to meet any shortfall in the aggregate value of the securities as at 31 December.

Monthly pensions are funded by allocating funds out of the COID portion of Accumulated Surplus to general Accumulated Surplus (refer to note 2).

10. EMPLOYEE BENEFITS

Recognition and measurement

Short term employee benefits

Remuneration to employees is recognised as an expense in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs.

The costs of all short-term employee benefits, such as leave pay, are recognised in the period the employee renders the related service.

Short-term employee benefits are measured on an undiscounted basis.

Short term compensated absences

The expected cost of compensated absences is recognised as follows:

Accumulating compensated absence:

When employees render services that increase their entitlement to future compensated absences; and

Non-accumulating absences:

When absences occur.

Leave pay accrual

The liability for accumulating compensated absences is based on the total amount of leave days accumulated by employees at reporting date and on the total remuneration package of the employees.

Bonus incentive and performance related payments

The Municipality recognises the expected cost of performance bonus when, and only when, it has a present legal or constructive obligation to make such payments, as a result of past events and a reliable estimate of the obligation can be made.

A provision in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees is raised once the timing and amount of such provision can be reliably determined. The provision is based on the performance of each S57 employee against the

performance scorecard set and agreed upon for each financial year. If on assessment of the respective S57 employees it is decided that a bonus will be paid out, the S57 employee is entitled to receive this bonus irrespective of whether they are still in the service of the Municipality, or not.

Post-employment benefits

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The cost of providing benefits under the defined benefit plans is determined separately for each plan, using the projected unit credit method. Actuarial valuations are conducted on an annual basis for each plan. In the event that an independent actuarial valuation is not performed, Management will assess whether the assumptions used in the previous valuation remain applicable. If so, the valuation will be based on the previous independent valuation. If not, an adjustment is made to take into account any changes in assumptions.

Recognition and measurement

The actuarial gains or losses are recognised in the Statement of Financial Performance in the year incurred.

The past service costs are recognised as an expense immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation (further detail is available in Note 47), less the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by long-term employee benefit funds or qualifying insurance policies. Plan assets are not available to the creditors of the Municipality nor can they be paid directly to the Municipality.

Fair value is based on market price information and in the case of quoted securities; it is the published bid price. It should be noted that there are currently no plan assets.

Medical Aid: Continued Members

The Municipality provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the Medical Aid Funds with which the Municipality is associated, a member, on retirement, is entitled to remain a continued member of such medical aid fund. Should the member opt to remain on the fund, the member is liable for the portion, as determined by Council from time to time, of the medical aid membership fee and the Municipality for the remaining portion.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution.

The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation.

The actuarial gains or losses are recognised in the Statement of Financial Performance in the year incurred. Actuarial valuations are conducted on an annual basis for each plan. In the event that an independent actuarial valuation is not performed, Management will assess whether the assumptions used in the previous valuation remain applicable. If so, the valuation will be based on the previous independent valuation. If not, an adjustment is made to take into account any changes in assumptions.

Gratuity Provision

A provision in respect of the liability relating to gratuities payable to employees that were not previously members of a pension fund is maintained. The gratuity is payable by Council to wage earners who

joined the Municipality before 1988. The Council decided to make gratuity payments to these employees upon retirement. The amount payable is based on the individual employee wage rate and the number of years in service until the employee joined a pension fund. The provision is determined with reference to minimum wage rate applicable immediately prior to joining the pension fund multiplied by number of years' service and adjusted annually based on the average interest earned on investments.

Long service awards

Employees who have completed 25 years unbroken service are entitled to receive a once-off cash award not exceeding R2 500. The cash award is included in the employee's salary in the month of the service anniversary.

Defined contribution plans:

The Municipality has used GRAP 25 as guidance for treatment of multi-employer plans as sufficient information was not available to use defined-benefit accounting. The Municipality has therefore accounted for the Cape Joint Pension Fund and the SALA Pension Fund as defined contribution plans. It is impracticable to disclose as a defined benefit plan because the funds do not determine a separate actuarial valuation per Municipality but do it as a whole for all the Municipalities together.

Retirement benefits

The Municipality provides retirement benefits for its employees and councillors.

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions, if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

11. PROVISIONS AND CONTINGENCIES

Provisions are recognised when the Municipality has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date (for example in the case of obligations for the rehabilitation of land). The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost.

If the effect of the time value of money is material, provisions are discounted using a rate that reflects the risk of the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that there will be an outflow of resources embodying economic benefits or service potential to settle the obligation, the provision is reversed.

Future events that may affect the amount required to settle an obligation are reflected in the provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

With respect to litigation and claims against the Municipality, the Municipality's Legal Counsel assesses the list of claims against the Municipality on an annual basis. The Municipality recognises a provision

for all claims/cases for which the outflow of economic resources is probable and the amount can be reliably estimated.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

12. FINANCIAL INSTRUMENTS

Initial Recognition

The Municipality recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the Municipality becomes a party to the contractual provisions of the instrument.

The Municipality recognises financial assets using trade date accounting.

Distinguishing liabilities and residual interests

A financial instrument or its component parts is classified on initial recognition as a financial liability, a financial asset or residual interest in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and a residual interest.

Compound financial instruments

The Municipality evaluates the terms of a financial instrument to determine whether it contains both a liability and residual interest component. Such components are classified separately as financial liabilities or residual interests.

Initial Measurement of financial assets and financial liabilities

When a financial asset or financial liability is recognised initially, the Municipality measures it at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans

The Municipality first assesses whether the substance of a concessionary loan meets the definition of a financial instrument. On initial recognition, the Municipality analyses a concessionary loan into its component parts and accounts for each component separately. The Municipality accounts for that part of a concessionary loan that is:

- a) A social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- b) Non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

The part of the concessionary loan that is a social benefit or non-exchange revenue is determined as the difference between the fair value of the loan and the loan proceeds, either paid or received.

After initial recognition, an entity measures concessionary loans in accordance with the subsequent measurement criteria set out for all financial instruments.

Subsequent Measurement of financial assets and financial liabilities

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

- a) Financial instruments at fair value
 - Instruments held for trading.
 - Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition.
 - Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.
- b) Financial instruments at amortised cost
 - Non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that the Municipality designates at fair value at initial recognition or are held for trading.
- c) Financial instruments at cost
 - Investments in residual interests that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The Municipality assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost as set out above.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired or through the amortisation process.

Impairment of financial assets

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The Municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

The Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal may not result in a carrying amount of the financial asset that exceeds

what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition of financial assets:

The Municipality derecognises financial assets using trade date accounting.

The Municipality derecognises a financial asset only when:

- a) The contractual right to the cash flow from the financial asset expire, are settled or waived;
- b) The Municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- c) Despite having retained significant risks and rewards, the entity has transferred control of the asset to another party.

Derecognition of financial liabilities:

The Municipality derecognises a financial liability from its statement of financial position when it is extinguished, that is, when the obligation specified in the contract is discharged, cancelled, expires or waived.

Presentation:

Interest, losses and gains

Interest, losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit

Offsetting a financial asset and a financial liability

The Municipality does not offset financial assets and financial liabilities in the Statement of Financial Position unless a legal right to set-off exists and the parties intend to settle on a net basis or to realise the asset and settle the liability simultaneously.

Policies relating to specific financial instruments

Investments at amortised cost

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks, are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost, using effective interest method.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

Investments at fair value

Investments, which represent investments in equity for which fair value can be measured reliably, are subsequently measured at fair value. The fair value is based on market values at valuation date.

Gains and losses in the fair value of such investments are recognised in the Statement of Financial Performance.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprises of cash on hand and deposits held on call with banks.

Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. Amounts that are receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

Bad debts are written off in the year in which they are identified as irrecoverable, subject to the approval of the Council.

Trade and other payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest method.

13. PROPERTY, PLANT AND EQUIPMENT

Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, other than investment property, or for administrative purposes and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality and the cost or fair value of the item can be measured reliably.

Measurement at recognition

Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. The cost also includes the initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an item of property, plant and equipment is acquired in exchange for a similar asset, the acquired asset is initially measured at the carrying value of the asset given up.

Where an item of property, plant and equipment is acquired in exchange for a dissimilar asset, the acquired item is initially measured at the fair value (the cost). If the acquired item's fair value is not determinable, the allocated deemed cost is the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with a specific item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent measurement

Subsequent to initial recognition, items of property, plant and equipment (other than land) are measured at cost less accumulated depreciation and impairment losses.

Subsequent to initial recognition, land is measured at cost and is not depreciated because it has an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset replaced and capitalises the new component.

Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment if the recognition criteria are met.

Depreciation

Depreciation is calculated on the depreciable amount, using the net book value over the remaining useful life of the component assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The component assets' residual values, useful lives and depreciation methods are reviewed at each financial year-end and if expectations differ from previous estimates, the changes are accounted for as a change in estimate in accordance with the standard of GRAP on accounting policies, changes in accounting estimates and errors.

The depreciation charge for each reporting period is recognised in surplus or deficit, unless it is included in the carrying amount of another asset.

The annual depreciation rates for the current and previous year are based on the following average asset useful lives:

Land & Buildings	Useful Life Range in Years
Buildings	15 - 50
Land	Indefinite Life
Infrastructure Assets	Useful Life Range in Years
Fencing, Roads, Sidewalks & Stormwater Networks	5 – 100
Beach Developments	30 – 50
Electricity Reticulation & Supply	10 – 80
Sewerage Mains & Purification Works	15 – 80
Waste Disposal Facilities	20 – 100
Water Supply & Reticulation	10 – 50
Dams & Treatment Works	25 – 100
Other Assets	Useful Life Range in Years
Bins & Containers	5 – 15
Air Monitoring, Emergency & Medical Equipment	5 – 20

Vehicles & Plant	4 – 30
Office Furniture & Fittings	3 – 20
Landfill Sites	50
Security Systems	5 – 15
Tip Sites	30
Computer Hardware	4 – 8

Community Assets	Useful Life Range in Years
Libraries	15 – 50
Fire Stations	15 – 50
Library Books	5 – 20
Cemeteries	15 – 50
Clinics	15 – 50
Community Centres	15 – 50
Public Conveniences	15 – 50
Swimming Pools	15 – 50
Recreational Facilities	15 – 50
Selling & Letting Schemes	15 – 50

Impairment:

Recognition and measurement of an impairment loss for an item of property, plant and equipment

An entity shall assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset.

The carrying amount of an asset is reduced to its recoverable amount if, and only if, its recoverable amount is less than its carrying amount.

The impairment loss is recognised immediately in surplus and deficit.

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance. Residual values are assumed to be zero, unless otherwise stated.

14. HERITAGE ASSETS

Initial recognition and measurement

Heritage assets are assets that have cultural, historical, environmental, natural, scientific or technological significance that are held indefinitely for the benefit of present and future generations.

Heritage assets are recognised when it is probable that future economic benefits or service potential associated with the item will flow to the Municipality and the cost or fair value of the item can be measured reliably.

When an asset, does not meet the initial recognition criteria of a heritage asset, the Municipality discloses the relevant and useful information about such assets in the notes to the financial statements.

Heritage assets are initially recognised at cost on acquisition date.

The cost is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an asset is acquired in exchange for a similar asset, the acquired asset is initially measured at the carrying value of the asset given up.

Where an asset is acquired in exchange for a dissimilar asset, the acquired item is initially measured at the fair value (the cost). If the acquired item's fair value is not determinable, the allocated deemed cost is the carrying amount of the asset given up.

Subsequent measurement

Subsequent to initial recognition, the Municipality uses the cost model to measure its heritage assets.

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

The table below reflects the class of heritage assets and the estimated useful life range in years:

Heritage Sites	Useful Life Range in Years
Memorials & Statues	Indefinite Life
Heritage Sites	Indefinite Life
Museums	Indefinite Life
Art Works	Indefinite Life
Collections of rare books and manuscripts	Indefinite Life

Impairment

The Municipality does not depreciate its heritage assets, but at each financial year end, it assesses whether there is an indication that the assets may be impaired. If such an indication exists, the Municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

Heritage assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

15. INTANGIBLE ASSETS

Initial recognition and measurement

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs. The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), its initial cost at the date of acquisition is measured at its fair value as the date of acquisition.

Intangible assets acquired through non-exchange transactions:

Internally generated intangible assets:

Research phase

The Municipality does not recognise any intangible asset arising from a research phase of an internal project. Expenditure on research phase of an internal project is recognised as an expense when incurred.

Development phase

An intangible asset arising from development phase is recognised if, and only if the municipality can demonstrate all of the following:

- a) The technical feasibility of completing the intangible asset so it will be available for use or resale;
- b) Its intention to complete the intangible asset and use it or sell it;
- c) Its ability to use or sell the intangible asset;
- d) How the intangible asset will generate probable future economic benefits or service potential;
- e) The availability of technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Exchanges of assets

The cost of an intangible asset acquired in exchange for another is measured at fair value unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired asset is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairment losses.

The cost of an intangible asset is amortised over its useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Amortisation and impairment

Amortisation is charged to write off the net book value of intangible assets over their remaining useful lives. Amortisation of an asset begins when it is available for use.

The annual amortisation rates are based on the following estimated average asset useful lives:

Intangible	Useful Life Range in Years
Computer Software	3 – 5
Website Development	3 – 5

The amortisation period, the amortisation method and residual value for intangible assets with finite useful lives are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

16. INVESTMENT PROPERTY

Initial recognition and measurement

Investment property includes property (land or a building or part of a building or both land or buildings held by owner or by a lessee under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services or the sale of an asset in the ordinary course of operations.

Investment property is initially recognised as an asset when, and only when, it is probable that future economic benefits and or service potential will flow to the Municipality and the cost or fair value can be measured reliably.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property.

Where an investment property was acquired through a non-exchange transaction (i.e. where the Municipality acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to or from investment property only when there is a change in use as follows:

- (a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- (b) commencement of development with a view to sale, for a transfer from investment property to inventories;
- (c) end of owner-occupation, for a transfer from owner-occupied property to investment property;
- (d) commencement of an operating lease (on a commercial basis) to another party, for a transfer from inventories to investment property.

If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. If investment property becomes owner-occupied property, the Municipality accounts for such property in accordance with the policy stated under investment property up to the date of change

in use. The costs of day-to-day servicing of investment properties are recognised in the Statement of Financial Performance as incurred.

Subsequent measurement

Investment property is measured using the cost model. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation

Depreciation begins when the asset is available for use. Depreciation is calculated on the depreciable amount, using the net book value over the remaining useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Investment Property	Useful Life Range in Years
Land	Indefinite Life
Buildings	15 - 50

The investment property's residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each financial year-end.

Land is not depreciated.

Fair Value

The assumptions for determining the fair value of the investment property is set out in Note 12 of the Annual Financial Statements.

Derecognition

Investment property is derecognised when it is disposed of or when no future economic benefits or service potential are to be derived from the use of the asset. All gains or losses from the disposal of investment property are determined as the difference between the sales proceeds and the carrying value of the asset and are recognised in the Statement of Financial Performance.

17. INVENTORIES

Initial recognition and measurement

Inventories comprise assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes (other than VAT), transport costs and any other direct costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

Inventories, consisting of consumable stores, raw materials, water and finished goods (FG), are measured at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. The basis of determining cost is first-in, first-out (FIFO) method for all inventory categories except water. Water is measured on the weighted average method.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

An impairment provision for the write down of inventory is maintained in lieu of obsolete inventory. The level of the impairment provision for obsolete inventory is the value equivalent to the value of inventory assessed as obsolete at financial year-end.

Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The Municipality purchases its water. The cost of water purchased and not yet sold as reflected in the statement of financial position comprises the purchase price and other direct costs attributable to the acquisition. The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir.

18. IMPAIRMENT OF NON-CASH-GENERATING ASSETS

Recognition

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. Where any such indication exists, the Municipality estimates the recoverable service amount of the asset. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash-generating assets), the asset is considered impaired and is written down to its recoverable amount (or recoverable service amount). An asset's recoverable amount (or recoverable service amount) is the higher of the fair value less costs to sell, and the value-in-use of the asset.

The Municipality classifies the asset/identifiable group of assets as cash-generating if the key purpose of such asset/group of assets is to derive a commercial return from continuing use, and are independent of the cash inflows from other assets or groups of assets. The Municipality will classify all other assets that do not meet the definition of cash-generating assets/group of assets as non-cash generating assets.

Measurement

An asset's recoverable amount (or recoverable service amount) is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. This recoverable amount (or recoverable service amount) is determined for individual assets, unless those individual assets are part of a larger cash-generating unit, in which case the recoverable amount (or recoverable service amount) is determined for the whole cash-generating unit.

An asset is part of a cash-generating unit where that asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

In determining the recoverable amount (or recoverable service amount) of an asset the entity evaluates the assets to determine whether the assets are cash generating assets or non-cash generating assets.

For cash generating assets, the value in use is determined as a function of the discounted future cash flows from the asset.

Where the asset is a non-cash generating asset, the value in use is determined through one of the following approaches:

- Depreciated replacement cost approach: The current replacement cost of the asset is used as the basis for this value. This current replacement cost is depreciated for a period equal to the period that the asset has been in use so that the final depreciated replacement cost is representative of the age of the asset.
- Restoration cost approach: The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment.
- Service units approach: The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state.

The decision as to which approach to use is dependent on the nature of the identified impairment.

In assessing value-in-use for cash-generating assets, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, other fair value indicators are used.

Impairment losses of continuing operations are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality makes an estimate of the assets or cash-generating unit's recoverable amount.

Reversal of impairment losses

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

The reversal of an impairment loss for an asset is recognised immediately in the Statement of Financial Performance.

19. REVENUE

19.1 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrues to the Municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

Recognition

The recognition criteria is usually applied separately to each transaction

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- (a) the amount of revenue can be measured reliably;
- (b) it is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality;
- (c) the stage of completion of the transaction at the reporting date can be measured reliably; and

- (d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- (a) the Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- (b) the Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

Specific exchange-revenue sources

Service charges relating to electricity, water and sewerage are based on consumption. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced.

Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read and the related revenue adjustment is recognised in the same period.

Electricity meters in industrial areas are read at the end of each month and billed the following month. Premises with high-tension electricity supplies are read and billed monthly.

Revenue arising from the consumption of electricity and water in the month of June is fully accounted for whether invoiced or not.

Revenue from the sale of electricity prepaid meter cards is recognised at point of sale.

Revenue arising from the application of the approved tariffs, fees and charges is generally recognised when the relevant service is rendered.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff. Tariffs are determined per category of property usage and are levied monthly based on the costs of providing the refuse removal service.

Rental income arising from the use of investment properties, facilities and equipment is accounted for on a straight-line basis over the lease term on on-going leases.

Revenue from the issue of permits and licenses is recognised at point and time of issue.

Interest income is recognised in surplus or deficit on a time proportionate basis, using the effective interest method (i.e. based on the effective interest rate of the individual investments).

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated to the fund concerned; and
- Interest earned on unutilised conditional grants is allocated to the creditor (i.e. recognised as an obligation), if grant conditions indicate that interest is payable to the funder.

Measurement

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable.

The Municipality has an obligation in terms of legislation to collect all revenue and as such, the Municipality does not consider the collective collectability of the revenue on initial recognition on a portfolio basis. The Municipality assesses collectability subsequent to initial measurement and should the receivable be impaired, the impairment loss is recognised as an expense.

19.2 Revenue from Non-Exchange Transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Recognition of revenue

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Recognition of assets

An inflow of resources from a non-exchange transaction that meets the definition of an asset is recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the Municipality and the fair value of the asset can be measured reliably. The asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

Specific non-exchange-revenue sources

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Council applies a flat rating system. The same rate factor is applied for land and buildings. In terms of this system, assessment rates are levied on the value of land and buildings in respect of properties. Rebates are granted according to the use of the property concerned. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines are recognised when it is probable that future economic benefits will flow to the Municipality, the costs can be reliably measured and all restrictions have been complied with. Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received and the revenue from the issuing of summonses is recognised when collected. Due to the various legal processes that can apply to summonses and the inadequate information received from the courts, it is not possible to measure this revenue in the invoicing period, therefore an accrual is raised at the end of the financial year based on the average collection of fines throughout the year.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualify for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions that would entitle it to the revenue, a liability is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualify for recognition and first becomes available for use by the Municipality.

Fuel levy is recognised in revenue when the income is received.

Grants, transfers or donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is no corresponding liability in respect of related conditions. Where the grant, transfer or donation has been received but the Municipality has not met the related conditions that would entitle it to the revenue, a liability is recognised.

Measurement of revenue from non-exchange transactions

Revenue from a non-exchange transaction shall be measured at the amount of the increase in net assets, recognised by the entity.

Fines

Assets arising from fines are measured at the best estimate of the inflow of resources to the Municipality.

Bequests

Bequests are measured at the fair value of the resources received or receivable.

Gifts and donations

On initial recognition, gifts and donations are measured at their fair value as at the date of acquisition, which may be ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession that holds a recognised and relevant professional qualification.

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met. Therefore the best estimate of the amount required to settle the present obligation at the reporting date will be recognised as a liability.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

The Municipality has an obligation in terms of legislation to collect all revenue and as such, the Municipality does not consider the collective collectability of the revenue on initial recognition on a portfolio basis. The Municipality assesses collectability subsequent to initial measurement and should the receivable be impaired, the impairment loss is recognised as an expense.

Expenditure from Non-exchange Transactions

The accounting policy for expenditure arising from non-exchange transactions is similar to policy for non-exchange revenue.

Expenditure from non-exchange transactions is recognised when the resources have been transferred to the beneficiaries. A corresponding asset is raised to the extent that conditions attached to the expenditure have not been met. The asset is transferred to the Statement of Financial Performance once the conditions are met.

20. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established.

Borrowing costs incurred are recognised as an expense in the Statement of Financial Performance using the effective interest method.

21. LEASES

Leases in the financial statements of lessees

Operating leases

Recognition

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. Lease payments under an operating lease are recognised as an expense in the statement of financial performance, on a straight-line basis over the lease term. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be.

Measurement

The resulting asset and / or liability is measured as the undiscounted difference between the straight-line lease payments and the contractual lease payments.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Derecognition

The operating lease liability is derecognised when the Municipality's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the Municipality no longer anticipates economic benefits to flow from the asset.

Leases – Municipality as lessor

Operating leases

The Municipality presents assets subject to operating leases in its Statement of Financial Position according to the nature of the asset.

Lease revenue from operating leases is recognised as revenue on a straight-line basis over the lease term. Initial direct costs incurred by the Municipality in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as expenses over the lease term on the same basis as the lease revenue.

The depreciation policy for depreciable leased assets is consistent with the Municipality's normal depreciation policy for similar assets, and depreciation is calculated in accordance with the Standards of GRAP on Property, Plant and Equipment and Intangible Assets.

Recognition

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease. Lease payments received under an operating lease are recognised as income, in the Statement of Financial Performance, on a straight-line basis over the lease period.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, namely, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Measurement

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

Derecognition

Operating lease liabilities are derecognised when the Municipality's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the Municipality's right to the underlying cash flows expire or the Municipality no longer expects economic benefits to flow from the operating lease asset.

22. REPORTING FOREIGN CURRENCY TRANSACTIONS IN THE FUNCTIONAL CURRENCY

Initial recognition

A foreign currency transaction shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Reporting at subsequent reporting dates

At each reporting date:

- (a) foreign currency monetary items shall be translated using the closing rate;
- (b) non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and
- (c) non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.

Recognition of exchange differences

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognised in surplus or deficit in the period in which they arise,

23. VALUE ADDED TAX (VAT) AND TAXATION

The Municipality accounts for Value Added Tax on the payments basis. Revenue, expenses and assets are recognised net of the amount of VAT. The net amount of VAT refundable from or payable to, the taxation authority is disclosed on the face of the statement of financial position.

The Municipality has a tax exemption and therefore not liable for income tax.

24. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, Municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure incurred for the financial period is accounted for as a normal expense in the Statement of Financial Performance but form part of disclosure of unauthorised, irregular and fruitless and wasteful expenditure in the notes to the financial statements.

25. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure incurred for the financial period is accounted for as a normal expense in the Statement of Financial Performance but form part of disclosure of unauthorised, irregular and fruitless and wasteful expenditure in the notes to the financial statements.

26. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure incurred for the financial period is accounted for as a normal expense in the Statement of Financial Performance but form part of disclosure of unauthorised, irregular and fruitless and wasteful expenditure in the notes to the financial statements.

27. RECOVERY OF UNAUTHORISED, IRREGULAR, FRUITLESS & WASTEFUL EXPENDITURE

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, and is recognised when the recovery thereof from the responsible officials is probable. The recovery of unauthorised, irregular, fruitless and wasteful expenditure is treated as other income.

28. TRANSFER OF FUNCTIONS BETWEEN ENTITIES NOT UNDER COMMON CONTROL

Common Control

For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

The Municipality uses the acquisition method in accounting for transactions relating to transfer of functions, between entities not under common control.

Applying the acquisition method requires:

- a) Identifying the acquirer.
- b) Determining the acquisition date.

- c) Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.
- d) Recognising the difference between (c) and the consideration transferred to the seller.

The acquisition date is the date on which the acquirer obtains control of the acquiree.

Municipality as the acquirer:

At acquisition date, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree shall be recognised if:

- a) The assets taken on and the liabilities assumed meets the definitions of an asset and liability as set out in the Framework for the Preparation and Presentation of Financial Statements.
- b) These assets and liabilities relate to the binding agreement between the parties to the transaction and may not relate to separate transactions.

Assets and liabilities not previously recognised by the acquiree will be recognised if these assets and liabilities now meet the recognition criteria (for example internal generated intangible assets not previously recognised).

The acquirer measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

29. EVENTS AFTER THE REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the Annual Financial Statements are authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- Those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Adjusting events after reporting date

The Municipality adjusts the amounts recognised in the Annual Financial Statements to reflect adjusting events after the reporting date

Non-adjusting events after the reporting date

The Municipality does not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date. The Municipality discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the Annual Financial Statements.

30. RELATED PARTIES

The Municipality has processes and controls in place to aid in the identification of related parties. A related party is a person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

Where transactions occurred between the Municipality and one or more related parties, and those transactions were not within:

- Normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the Municipality to have adopted if dealing with that individual entity or person in the same circumstances; and
- Terms and conditions within the normal operating parameters established by the Municipality's legal mandate, further details about those transactions are disclosed in the notes to the financial statements.

31. PRESENTATION OF BUDGET INFORMATION IN THE FINANCIAL STATEMENTS

Presentation of a comparison of budget and actual amounts

The Municipality presents a comparison of the budget amounts for which it is held publicly accountable and actual amounts as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP24. The comparison of budget and actual amounts present separately for each level of legislative oversight:

- (a) the approved and final budget amounts;
- (b) the actual amounts on a comparable basis; and
- (c) by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts.

Presentation and disclosure

The Municipality presents a comparison of budget and actual amounts as additional budget columns in the primary financial statements because the financial statements and the budget are prepared on a comparable basis.

Changes from approved to final budget

The Municipality presents an explanation of whether changes between the approved and final budget are a consequence of reallocations within the budget or of other factors:

- (b) in a report issued before, at the same time as, or in conjunction with the financial statements, and shall include a cross reference to the report in the notes to the financial statements.

Comparable basis

All comparisons of budget and actual amounts are presented on a comparable basis to the budget.

The Municipality is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the Municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts. Comparative information is not required.

32. COMMITMENTS

Items are classified as commitments when the Municipality has committed itself to future transactions that will normally result in an outflow of cash.

Disclosure is done to the extent that it has not already been recognised elsewhere in the financial statements.

Capital commitments are treated as follows:

- The aggregate amount of capital expenditure contracted for at the reporting date, to the extent that the amount has not been recorded in the financial statements; and
- If a commitment is for a period longer than a year.

Commitments are disclosed in the following circumstances:

- Unrecorded capital expenditure approved and contracted for before/at reporting date;
- Unrecorded capital expenditure approved but not yet contracted for at reporting date; and
- Unrecorded capital expenditure approved after reporting date.

33. GRANTS-IN-AID

The Municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the Municipality does not:

- Receive any goods or services directly in return as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period in which the events giving rise to the transfer occurred.

34. IMPAIRMENT

Impairment of cash generating units:

In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

External sources of information

- (a) During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- (b) Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.
- (c) Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

Internal sources of information

- (d) Evidence is available of obsolescence or physical damage of an asset.
- (e) Significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- (f) A decision to halt the construction of the asset before it is complete or in a usable condition.
- (g) Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

Impairment of non-cash generating units:

In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

External sources of information

- (a) Cessation, or near cessation, of the demand or need for services provided by the asset.
- (b) Significant long-term changes with an adverse effect on the entity have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the entity operates.

Internal sources of information

- (c) Evidence is available of physical damage of an asset.
- (d) Significant long-term changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- (e) A decision to halt the construction of the asset before it is complete or in a usable condition.
- (f) Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

35. CONSTRUCTION CONTRACTS

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of the contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that is probable to be recovered. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date exceed capital grants received, the surplus is shown as amounts due from funders for contract work. For contracts where capital grants received exceed contract costs incurred to date, the surplus is shown as the amounts due to funders for contract work. Amounts received before the related work is performed are included in the statement of financial position, as a liability, as unspent project funding received. Amounts billed for work performed but not yet paid by the funder are included in the statement of financial position under trade and other receivables.

Unutilised project funding is reflected on the Statement of Financial Position as a Current Liability - Unspent Project Funding. The cash received is invested until it is utilised.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY									
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020									
Restated 2019 R		Note	Actual 2020 R	Approved Original Budget 2020 R	Adjustments 2020 R	Approved Final Budget 2020 R	Variance Final Budget and Actual R	%	Note 56 No.
NET ASSETS AND LIABILITIES									
Net Assets									
17,207,356,716	Total Accumulated Funds		18,196,305,742	17,783,385,141	(388,395,475)	17,394,989,666	(801,316,076)	-5%	1
3,637,506,622	Non-current Liabilities		3,268,806,435	4,292,279,405	(424,743,984)	3,867,535,421			
1,116,776,821	Long-term Liabilities	3	1,016,371,753	1,360,540,745	-341,068,417	1,019,472,328	3,100,575	0%	
2,041,991,000	Non-current Provisions - Employee Benefits	4.1	1,820,657,249	2,482,281,000	(141,450,713)	2,340,830,287	520,173,038	22%	2
478,738,801	Non-current Provisions - Other	4.2	431,777,433	449,457,660	57,775,146	507,232,806	75,455,373	15%	2
3,023,330,816	Current Liabilities		3,170,140,355	3,188,208,072	(36,183,342)	3,152,024,730			
175,963,570	Current Provisions - Employee Benefits	5.1	177,389,605	257,574,930	-28,175,896	229,399,034	48,734,429	21%	3
82,002	Current Provisions - Other	5.2	3,275,000		0	0			
153,373,601	Consumer Deposits	6	156,387,079	166,136,802	-8,007,446	158,129,356	1,742,277	1%	
2,243,514,682	Trade and Other Payables	7	1,853,593,475	2,665,353,430	0	2,665,353,430	(68,592,332)	-3%	4
295,261,516	Transfers and Subsidies	7	729,406,019	0	0	0			
65,476,944	VAT	8	150,946,268	0	0	0			
89,658,501	Current Portion of Long-term Liabilities	3	99,142,909	99,142,910	0	99,142,910	1	0%	
23,868,194,154	Total Net Assets and Liabilities		24,635,252,532	25,263,872,618	(849,322,801)	24,414,549,817			
ASSETS									
18,255,832,565	Non-current Assets		17,868,142,493	19,850,672,980	(839,117,762)	19,011,555,218			
17,363,059,348	Property, Plant and Equipment (PPE)	9	17,277,947,726	18,925,187,835	-771,530,165	18,153,657,670	875,709,944	5%	5
217,157,792	Heritage Assets	10	211,064,488	211,064,488	18,386,005	229,450,493	18,386,005	8%	
368,593,280	Intangible Assets	11	160,898,908	417,800,813	-95,121,176	322,679,637	161,780,729	50%	6
216,825,522	Investment Property	12	165,087,542	215,138,314	-4,029,397	211,108,917	46,021,375	22%	7
60,508,659	Long-term Receivables - Exchange Transactions	13	33,754,038	81,481,530	13,176,971	94,658,501	41,514,672	44%	8
29,687,964	Long-term Receivables - Non-exchange Transactions	13	19,389,791		0				
5,612,361,589	Current Assets		6,767,110,039	5,413,199,638	(10,205,039)	5,402,994,599			
132,843,468	Inventory	14	154,015,248	198,054,430	-38,398,657	159,655,773	5,640,525	4%	
1,628,698,450	Trade Receivables - Exchange Transactions	15	1,908,793,060	2,293,086,838	-71,141,981	2,221,944,857	(80,212,225)	-4%	9
247,536,983	Trade Receivables - Non-exchange Transactions	15	393,364,022	0	0	0	0		
401,069,457	Other Receivables - Exchange Transactions	16	1,090,562,828	423,858,710	0	423,858,710	(666,704,118)	-157%	10
3,009,413,994	Call Deposits and Investments	17	2,309,903,834	2,295,787,894	99,335,599	2,395,123,493	85,219,659	4%	11
3,198,229	Call Deposits and Investments - Other	18	2,411,766	2,411,766	0	2,411,766	0	0%	
189,601,008	Bank Balances and Cash	19	908,059,281	200,000,000	0	200,000,000	(708,059,281)	-354%	1

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2020

Restated 2019 R		Actual 2020 R	Approved Original Budget 2020 R	Adjustments 2020 R	Approved Final Budget 2020 R	Variance between Final Budget and Actual R	%	No
	REVENUE							
	Exchange revenue							
5,268,039,527	Service Charges	5,800,528,569	5,994,581,840	68,509,158	6,063,090,998	262,562,429	4%	1
206,374,035	Interest earned - External Investments	231,783,566	110,792,460	48,701,630	159,494,090	(72,289,476)	-45%	2
142,208,489	Interest raised - Outstanding Debtors	146,113,155	201,619,640	0	201,619,640	55,506,485	28%	3
20,662,183	Licences and Permits	15,130,794	21,353,610	0	21,353,610	6,222,816	29%	4
33,158,557	Rental of Facilities and Equipment	22,974,466	36,497,430	0	36,497,430	13,522,964	37%	5
3,153,626	Income for Agency Services	3,546,008	3,094,510	0	3,094,510	(451,498)	-15%	6
129,189,109	Other Revenue	100,824,769	166,175,220	8,835,330	175,010,550	74,185,781	42%	7
0	Gain on disposal of Property Plant and Equipment	0	500,000	0	500,000	500,000	0%	
	Non-exchange revenue							
2,127,308,440	Property Rates	2,363,371,331	2,353,508,050	250,170	2,353,758,220	(9,613,111)	0%	
92,409,729	Interest raised - Outstanding Debtors	108,846,103	90,100,030	0	90,100,030	(18,746,073)	-21%	3
114,048	Interest - SARS	0						
216,026,862	Fines, Penalties and Forfeits	224,357,770	253,517,250	(37,227,070)	216,290,180	(8,067,590)	-4%	8
3,120,419,760	Transfers and Subsidies	2,620,511,140	3,088,435,800	192,180,314	3,280,616,114	660,104,974	20%	9
2,831	Licences and Permits	1,062		0	0	(1,062)	0%	
11,359,067,196	Total Revenue	11,637,988,733	12,320,175,840	281,249,532	12,601,425,372	963,436,639		
	EXPENDITURE							
3,213,145,886	Employee Related Costs	3,078,019,654	3,622,172,310	(182,581,010)	3,439,591,300	361,571,646	11%	
74,229,126	Remuneration of Councillors	76,474,313	79,227,890	1,084,900	80,312,790	3,838,477	5%	
630,223,038	Debt Impairment - Receivables	1,138,339,274	442,700,910	835,584,353	1,278,285,263	139,945,989	11%	10
128,886,451	Debt Impairment - Other	78,371,200	166,177,330	(37,290,870)	128,886,460	50,515,260	39%	11
139,539,533	Finance Charges	124,824,808	173,360,580	(33,998,940)	139,361,640	14,536,832	10%	
3,229,034,742	Bulk Purchases	3,511,404,955	3,555,290,420	3,571,036	3,558,861,456	47,456,501	1%	
162,781,130	Transfers and Subsidies	118,743,200	177,062,450	3,535,167	180,597,617	61,854,417	34%	
1,005,190,766	Contracted Services	633,604,773	1,233,316,650	(51,554,140)	1,181,762,510	548,157,737	46%	12
447,521,140	Other Expenditure	506,323,813	614,285,980	(2,923,381)	611,362,599	105,038,786	17%	13
159,049,641	Other Materials	205,739,802	217,245,130	112,093,352	329,338,482	123,598,680	38%	14
881,678,588	Depreciation	957,211,505	613,686,050	125,000,000	738,686,050	(434,756,287)	-59%	15
90,814,045	Amortisation	113,692,955		0	0	0	0%	
15,820,657	Impairment	102,537,877				0	0%	
1,188,260	Loss on Disposal of Property Plant and Equipment	0	0	0	0	0	0%	
10,179,103,003	Total Expenditure	10,645,288,129	10,894,525,700	772,520,467	11,667,046,167	1,021,758,038		
1,179,964,193	Surplus for the year	992,700,604	1,425,650,140	(491,270,935)	934,379,205	(58,321,399)		

Refer to Note 53 of the Financial Statements for explanation of variances

(Please note: SURPLUS for the year R992 700 604 less Transfers and Subsidies - Capital R1 112 922 160 = True DEFICIT for the year in the amount of (R 120 221 556)

NELSON MANDELA BAY MUNICIPALITY	
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020	
	<u>Accumulated Surplus</u>
	R
Balance at 01 July 2018 as previously reported	16,050,378,192
Restatements (Refer note 40.3)	(21,977,606)
Restated Balance at 01 July 2018	16,028,400,586
Surplus for the year as previously reported	1,184,159,949
Increase in Surplus (Refer note 40.1.1)	(5,203,819)
Restated Surplus for the year	1,178,956,130
Restated Balance at 30 June 2019	17,207,356,716
Balance at 01 July 2019	17,207,356,716
Surplus for the year	992,700,604
Transfer to revenue	(3,751,578)
Balance at 30 June 2020	18,196,305,742

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
THE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

Restated 2019 R		Note	Actual 2020 R	Approved Original Budget 2020 R	Adjustments 2020 R	Approved Final Budget 2020 R	Variance between Final Budget and Actual R	%	No.
CASH FLOWS FROM OPERATING ACTIVITIES									
10,448,789,086	Cash receipts from ratepayers, government and other		9,375,740,898	11,328,229,738	-637,354,429	10,690,875,309			
6,932,102,596	- Sale of goods and services, fines and taxes levied		6,806,634,722	8,117,011,360	-694,018,193	7,422,993,167	616,358,445	8%	1
3,310,312,455	- Grants		2,337,322,610	3,100,425,918	7,962,134	3,108,388,052	771,065,442	25%	2
206,374,035	- Interest received		231,783,566	110,792,460	48,701,630	159,494,090	(72,289,476)	-45%	3
(8,056,046,738)	Cash paid to suppliers and employees		(8,433,659,914)	(9,680,775,493)	99,931,108	(9,580,844,385)			
(2,963,898,006)	- Employee Costs		(3,296,715,846)	(3,476,742,000)	0	(3,476,742,000)	(180,026,154)	5%	4
(4,949,656,956)	- Suppliers		(5,008,948,292)	(6,030,672,913)	65,932,168	(5,964,740,745)	(955,792,453)	16%	5
(142,491,776)	- Finance Cost	27	(127,995,776)	(173,360,580)	33,998,940	(139,361,640)	(11,365,864)	8%	
2,392,742,348	CASH GENERATED FROM OPERATIONS	32	942,080,984	1,647,454,245	-537,423,321	1,110,030,924			
CASH FLOWS FROM INVESTING ACTIVITIES									
(1,666,493,061)	Purchase of PPE	55.1	(831,031,214)	(1,830,853,784)	233,380,248	(1,597,473,536)	-763,999,166	48%	6
(16,807,127)	Purchase of Intangible assets	55.1	(1,379,301)		0		0		
(794,620)	Purchase of Investment Property	55.1	0		0		0		
0	Purchase of Heritage Assets		(1,063,855)		0		1,063,855		
0	Increase in Other Non-Current Receivables		0	(14,219,219)	(1,042,248)	(13,176,971)	(13,176,971)	100%	
(1,684,094,808)	NET CASH FLOW FROM INVESTING ACTIVITIES		(833,474,371)	(1,845,073,003)	232,338,000	(1,610,650,507)			
CASH FLOWS FROM FINANCING ACTIVITIES									
0	Increase in Consumer Deposits		0	16,916,025	-24,923,471	-8,007,446			
(79,760,410)	Repayment of Non-current Liabilities (external loan funding)	33	(89,658,501)	(192,981,720)	97,870,985	(95,110,735)	(5,452,234)	6%	
	Increase in Borrowings		0	286,370,000	-286,370,000	0			
(79,760,410)	NET CASH FLOW FROM FINANCING ACTIVITIES		(89,658,501)	110,304,305	(213,422,486)	(103,118,181)			
628,887,130	NET CHANGE IN CASH AND CASH EQUIVALENTS		18,948,113	(87,314,453)	(518,507,807)	(603,737,764)			
2,570,127,872	Cash and cash equivalents at the beginning of the year		3,199,015,002	2,585,514,113	615,758,909	3,201,273,023	2,258,021	0%	
3,199,015,002	Cash and cash equivalents at the end of the year	34	3,217,963,115	2,498,199,660	99,335,599	2,597,535,259			

Refer to Note 56 of the Financial Statements for explanation of variances

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	Restated 2019
	R	R
1 RESERVES GOVERNED BY AN ACT: Note 1 and Note 2		
HOUSING REVOLVING FUND		
Housing Revolving Fund	0	0
The amount for this note has been included in the Total Accumulated Funds.		
<i><u>Housing Revolving Fund</u></i>		
Balance at the beginning of the year	0	109,731,779
Transfer to Accumulated Surplus	0	(109,731,779)
Balance at the end of the year	0	0

The purpose of the Housing Revolving Fund is to provide bridging financing for Provincial Housing Board approved housing developments. Contributions consist of cash received from the Provincial Housing Board.

2 COLD RESERVE		
Balance at the beginning of the year	41,321,868	37,185,503
Premiums received - transfer from accumulated surplus	7,740,637	7,315,725
Expenditure funded during the year - transfer to accumulated s	(2,541,416)	(3,179,360)
Balance at the end of the year	46,521,089	41,321,868

The amount for this note has been included in the Total Accumulated Funds. Also refer note 18.

The COLD Reserve is required in terms of Section 84 of the Compensation for Occupational Injuries and Diseases Act (No. 130 of 1993) as the Nelson Mandela Bay Municipality (NMBM) has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	Restated 2019 R
3. LONG-TERM LIABILITIES		
Financial Liabilities:		
Development Bank of Southern Africa (DBSA)	322,119,963	339,921,853
Rand Merchant Bank	364,499,298	381,960,644
Nedbank	407,122,299	464,178,769
Total External Loans	1,093,741,560	1,186,061,266
 Brookes Bequest	 21,773,102	 20,374,056
Total Long-term Liabilities	1,115,514,662	1,206,435,322
 Less : Current portion transferred to current liabilities	 99,142,909	 89,658,501
Development Bank of Southern Africa (DBSA)	19,471,649	17,801,889
Rand Merchant Bank	18,809,035	17,315,635
Nedbank	60,862,225	54,540,977
	1,016,371,753	1,116,776,821

The Financial liabilities are measured at amortised cost taking into account relevant interest rates. Also refer note 38.

Council approved a new loan of R750 million for various capital projects, with loan withdrawals only commencing in the 2020/2021 financial year.

In line with Chapter 6 of the MFMA, no loans are secured.

DBSA

A further loan of R420 000 000 was taken up during the 2008/09 financial year and is repayable over 20 years in 38 half yearly instalments of R27 651 367, by 30 September 2029, at a fixed interest rate of 11.62% per annum with a final payment of R27 651 367. The loan was used for various capital projects. A capital amount of R17 292 126 and interest of R38 010 607 was repaid during the financial year. (2019: Capital repaid R15 512 299 and Interest paid R39 790 434)

NEDBANK

The loan of R745 000 000 was taken up during the 2009/10 financial year and is repayable over 15 years in 30 half yearly instalments of R52 372 749, by 31 January 2025, at a fixed interest rate of 11.7% per annum. The loan was used for various capital projects. A capital amount of R54 540 977 and interest of R50 227 020 was repaid during the financial year. (2019: Capital repaid R48 678 958 and Interest paid R56 089 039)

RAND MERCHANT BANK

The loan of R470 000 000 was taken up during the 2010/11 financial year and is repayable over 20 years in 40 half yearly instalments of R27 779 027, by 31 May 2031, at a fixed interest rate of 10.24% per annum. The loan was used for various capital projects. A capital amount of R17 315 635 and interest of R38 242 419 was repaid during the financial year. (2019: Capital repaid R15 569 153 and Interest paid R39 988 901)

BROOKES BEQUEST

Brookes bequest represents a long-term creditor. The capital of the fund, may not be used until 100 years after the death of the last annuitant. The funds can only be utilised by the NMBM when the two remaining Trustees approve the donation of funds to the NMBM. The interest may be utilised for capital projects related to the development of Humewood. The fund bears interest at an average of 6.64% per annum.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	Restated 2019 R
4.1 NON CURRENT PROVISIONS - EMPLOYEE BENEFITS		
Gratuity Benefit	8,861,000	9,516,000
Post Retirement Benefits	1,216,905,401	1,377,456,000
Long Service Awards and Long Service Bonus	594,890,848	655,019,000
Total Employee Benefit Obligation	1,820,657,249	2,041,991,000

Refer to Note 47 for the full reconciliation and disclosures.

Gratuity Benefit

This obligation is in respect of the long-term liability relating to gratuities payable to employees that were not previously members of a pension fund.

Balance at beginning of year	9,516,000	14,519,000
Movement in Obligation	(655,000)	(5,003,000)
Balance at end of year	8,861,000	9,516,000

Post Retirement Benefits

The past service liability in respect of post retirement benefits relates to ill-health retirements and medical aid contributions, and ex-gratia pensions which have been actuarially assessed at R1 481 765 000

Balance at beginning of year	1,377,456,000	1,216,855,000
Movement in Obligation	(160,550,599)	160,601,000
Balance at end of year	1,216,905,401	1,377,456,000

Long Service Awards and Long Service Bonus

This obligation is in respect of the long service award and long service bonus which the Municipality offers to its current employees and which become payable at certain pre-determined intervals.

Balance at beginning of year	655,019,000	576,507,000
Contributions to Obligation	(60,128,152)	78,512,000
Balance at end of year	594,890,848	655,019,000

4.2 NON-CURRENT PROVISIONS - OTHER

Rehabilitation of Landfill sites	358,133,740	407,057,209
Rehabilitation of Swartkops River	73,643,693	71,681,592
Total Non-current Provisions	431,777,433	478,738,801

Rehabilitation of landfill sites

In terms of the licensing conditions of the landfill refuse sites, Council will incur rehabilitation costs of R111,842,858 for the Arlington Landfill site, R110,796,300 for the Koedoeskloof Landfill site and R135,494,582 for the Ibhayi Landfill site determined at net present value to restore the sites at the end of their useful lives estimated to be in 2027 (Arlington) and 2028 (Koedoeskloof). Squatters are currently occupying the Ibhayi Landfill site that is already closed. Provision has been made for the rehabilitation of the landfill sites based on the net present value of cost. For Arlington and Koedoeskloof landfill sites, the cost factors as determined have been applied and projected at an inflation rate of 2.2%. The projected amounts are discounted to the present value at the average borrowing rate of 11.14%. The determined cost to rehabilitate Ibhayi landfill site represents the present value.

A change in useful lives and reduced CPI index, have caused the change in the value of the provision.

Balance at beginning of year	407,057,209	313,248,967
Adjustment to the Provision	(48,923,469)	93,808,242
Balance at end of year	358,133,740	407,057,209

Rehabilitation of Swartkops River

Balance at beginning of year	71,681,592	75,681,398
Contributions to Provision - unwinding of discount factor	1,962,101	(3,999,806)
Balance at end of year	73,643,693	71,681,592

The provision is in relation to the Municipality's obligation to address the environmental pollution of the Swartkops River.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	Restated 2019 R
5 EMPLOYEE BENEFITS AND PROVISIONS		
5.1 CURRENT PROVISIONS - EMPLOYEE BENEFITS		
Gratuity Obligation	1,785,000	4,833,000
Post Retirement Benefits	69,961,544	73,478,000
Performance Bonus Liability	5,411,709	3,827,569
Long service awards and long service bonuses	100,231,352	93,825,001
Total Current Employee Benefit Obligation	177,389,605	175,963,570
Refer to Note 47 for the full reconciliation and disclosures.		
Gratuity Obligation		
This obligation is in respect of the short-term liability relating to gratuities payable to employees that were not previously members of a pension fund.		
Balance at beginning of year	4,833,000	1,083,000
Movement in Obligation	(964,188)	5,494,658
Expenditure incurred	(2,083,812)	(1,744,658)
Balance at end of year	1,785,000	4,833,000
Post Retirement Benefits		
The obligation is in respect of the short-term liabilities attributable to ill-health retirements, medical aid contributions and ex-gratia pensions.		
Balance at beginning of year	73,478,000	61,548,000
Contributions to Obligation	72,085,569	82,467,057
Expenditure incurred	(75,602,025)	(70,537,057)
Balance at end of year	69,961,544	73,478,000
Performance bonus liability		
This obligation is in respect of the short-term liability relating to performance bonuses payable to Section 57 employees, based on a maximum of 14% of their all-inclusive remuneration package paid as per regulation 32(2) of the Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006.		
Balance at beginning of year	3,827,569	1,822,279
Movement in Obligation	1,584,140	2,005,290
Balance at end of year	5,411,709	3,827,569
Long service awards and long service bonuses		
The obligation is in respect of long service awards and long service bonuses		
Balance at beginning of year	93,825,001	94,425,001
Movement in Obligation	6,406,351	(600,000)
Balance at end of year	100,231,352	93,825,001
5.2 CURRENT PROVISIONS - OTHER		
Provision for Litigation and Claims	3,275,000	82,002
Total Current Provisions	3,275,000	82,002
Provision for Litigation and Claims		
The provision is in respect of probable claims against the NMBM, pending the outcome of court decisions - See note 45(b).		
Balance at the beginning of the year	82,002	38,771,537
Contribution to the provision	3,275,000	82,002
Provision utilised/reversed	(82,002)	(38,771,537)
Balance at end of year	3,275,000	82,002

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	Restated 2019 R
6 CONSUMER DEPOSITS		
Electricity, Water and Other	154,791,438	151,631,514
Interest	1,595,641	1,742,087
	156,387,079	153,373,601

Guarantees held in lieu of Electricity and Water Deposits
Consumer deposits bear interest and are only refunded once the consumers' accounts are closed.

17,193,797 **15,465,278**

7 TRADE AND OTHER PAYABLES

Payables and Accruals	1,359,603,205	1,770,991,708
Payments Received in Advance	85,642,706	100,028,753
Staff leave	311,244,364	268,683,432
Retentions	97,103,200	103,810,789
Total Creditors	1,853,593,475	2,243,514,682

Transfers and Subsidies (See details below)

729,406,019 **295,261,516**

Refer Restatement Notes no. 40.3.1

Financial liabilities:

Trade creditors are non-interest bearing and are normally settled on 30-day terms, except for retention amounts of R97 103 200, which could be settled within the next 12 months.

No creditors are secured.

TRANSFERS AND SUBSIDIES

7.1 Conditional Grants from other spheres of Government

Conditional Grants in terms of the Division of Revenue Act (DORA):

Public Transport Infrastructure Grant (See Note 22.7.1 and Note 16)	98,803,020	16,424,051
Public Transport Networks Operations Grant (See Note 22.7.2)	96,112,294	-
Neighbourhood Partnership Development Grant (See Note 22.15 and Note 16)	13,085,004	-
Urban Settlement Grant (See Note 22.16 and Note 16)	307,341,901	45,466,978
Integrated City Development Grant(ICDG) (See Note 22.20)	351,265	-
Drought Relief Grant (See Note 22.21)	188,078,966	207,695,396
Other Grants:		
PHB Subsidies (See Note 22.1 and Note 16)	1,200,000	1,200,000
Smart Grid initiative Grant (See Note 22.4)	711,836	711,836
Provincial Department of Human Settlements: Accreditation Grant (See Note 22.5)	1,973,952	1,973,952
EU Sector Policy Support Project (See Note 22.9)	1,744,599	1,744,599
Other Grants (See Note 22.11)	889,806	1,306,400
National Lotteries Grant (See Note 22.13)	1,305,131	1,305,131
CDC Walmer Intervention Funding Grant (See Note 22.14.1)	9,068,420	9,068,420
EPWP Incentive Grant (See Note 22.18)	-	1,091,282
LGSETA Discretionary Learnership Funding (See Note 22.23)	7,867,044	6,400,690
Provincial Department Agency: Communication Grant (See Note 22.24)	872,781	872,781
Total Transfers and Subsidies	729,406,019	295,261,516

The unspent portion of transfers and subsidies represent cash as included in note 18 below.

Refer Restatement Note no. 40.3.6

8 VAT		
VAT Receivable / (Net VAT payable)	(150,946,268)	(65,476,944)

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

Refer Restatement Note no. 40.3.3

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

9 PROPERTY, PLANT AND EQUIPMENT

	R	R	R
As at 30 June 2020			
	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	2,137,451,375	357,636,870	1,779,814,505
Infrastructure Assets	19,194,914,513	6,790,824,498	12,404,090,015
Community Assets	3,657,353,214	1,141,210,586	2,516,142,628
Other Assets	1,578,800,405	1,000,899,827	577,900,578
	26,568,519,507	9,290,571,781	17,277,947,726

No assets were pledged as security and there were no restrictions.

A detailed register of Property, plant and equipment is maintained and is available for inspection.

Refer to Note 48 for reconciliation.

As at 30 June 2019

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	2,091,509,659	310,232,736	1,781,276,923
Infrastructure Assets	18,417,900,049	6,088,527,092	12,329,372,957
Community Assets	3,602,755,037	1,030,690,898	2,572,064,139
Other Assets	1,581,969,124	901,623,795	680,345,329
	25,694,133,869	8,331,074,521	17,363,059,348

Refer Restatement Note no. 40.3.7

10 HERITAGE ASSETS

	R	R	R
As at 30 June 2020			
	Cost	Accumulated Impairment	Carrying Value
Heritage Assets	226,885,145	15,820,657	211,064,488
	226,885,145	15,820,657	211,064,488

Refer to Note 49 for reconciliation.

As at 30 June 2019

	Cost	Accumulated Impairment	Carrying Value
Heritage Assets	232,978,449	15,820,657	217,157,792
	232,978,449	15,820,657	217,157,792

Refer Restatement Note no. 40.3.8

11 INTANGIBLE ASSETS

	Cost	Accumulated Amortisation/ Impairment	Carrying Value
As at 30 June 2020			
Computer Software	482,408,567	321,509,659	160,898,908
	482,408,567	321,509,659	160,898,908

No assets were pledged as security and there were no restrictions.

Refer to Note 50 for reconciliation.

As at 30 June 2019

	Cost	Accumulated Amortisation/ Impairment	Carrying Value
Computer Software	617,856,933	249,263,653	368,593,280
	617,856,933	249,263,653	368,593,280

12 INVESTMENT PROPERTY

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
As at 30 June 2020			
Land & Buildings	236,618,412	71,530,870	165,087,542
	236,618,412	71,530,870	165,087,542

No assets were pledged as security and there were no restrictions.

Refer to Note 51 for reconciliation.

As at 30 June 2019

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	290,642,147	73,816,625	216,825,522
	290,642,147	73,816,625	216,825,522

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

12 INVESTMENT PROPERTY (Continued)

	2020	Restated 2019
Description of Investment Property:	R	R
Nelson Mandela Bay Logistics Park	102,300,000	102,300,000
Kings Beach	0	30,400,000
Springs Resort	2,141,000	2,141,000
Telkom Park	0	45,200,000
Mc Arthur Bath	12,290,000	12,290,000
Willows Resort	246,430,000	246,430,000
Beachview Resort	6,250,000	6,250,000
Van Stadens Resort	5,250,000	5,250,000
St Georges Park Resort and Wells estate	117,500,000	117,500,000
Motherwell Depot	15,010,000	15,010,000
Africa Timbers in Korsten	1,990,000	1,990,000
Mercado centre	22,830,000	22,830,000
Fresh Produce Market	0	5,500,000
Incinerator and Gas works	26,730,000	26,730,000
Something Good	4,200,000	4,200,000
Korsten Depot	1,600,000	1,600,000
Port Elizabeth RD Steeledale Reinforcing	980,000	980,000
PE Central Shop	490,000	490,000
North End Workshop	66,000	66,000
Moselville Old Post Office	1,250,000	1,250,000
Market Value of Investment Property	567,307,000	648,407,000

Additional Disclosure:

The NMBM applies the Cost Model.

The Market Value was determined by valuers of the Rates and Valuations Directorate within NMBM who are experts in this field. The property values are consistent with the prior years and no updated valuations has been performed in the current year. The valuations was based on the 2016 Valuations roll, which is valid for 5 years - refer note 20:

The depreciated replacement cost method of valuation was applied in determining the valuation of the property. This method of valuation is usually applied to properties that do not often change hands in the open market. The depreciated replacement cost method of valuation is calculated by determining the replacement cost of the improvements, as at the date of the valuation, less a depreciation factor, which comprises physical deterioration, functional obsolescence and location deterioration. The value of land is determined by means of comparable sales of similar properties in the area. The two values are added together to arrive at the valuation of the property.

Properties subject to Operating Leases:

	2020	Restated 2019
Rental revenue included in surplus for following Investment Properties:	R	R
Beachview resort	240,000	240,000
Van Stadens Resort	240,000	240,000
Something Good	701,304	665,374
Direct Operating expenses that generated rental revenue	0	0
Direct Operating expenses that did not generate rental revenue	0	0

Rental revenue is included with Rental of Facilities and Equipment

13 LONG-TERM RECEIVABLES

Other Debtors	50,315	50,315
Consumer Debtors	53,093,514	90,146,308
Rates and General	19,339,476	29,637,649
Other Services	3,548,887	6,901,393
Electricity	6,219,995	12,303,712
Water	13,402,231	22,666,572
Refuse	4,153,198	7,072,449
Sewerage	6,429,727	11,564,533

Long-term Receivables **53,143,829** **90,196,623**

Long-term Receivables - Exchange Transactions	33,754,038	60,508,659
Long-term Receivables - Non-exchange Transactions	19,389,791	29,687,964
	53,143,829	90,196,623

No collateral is held for receivables.

In the event of defaults on arrangements, the consumers may enter into a fresh arrangement upon making certain down payments.

LONG-TERM RECEIVABLES - CONSUMER DEBTORS

Financial Assets - Receivables:

The consumer debtors are billed a gazetted interest rate between 9.75% and 10.25% per annum on overdue accounts.

Trade Receivables - Exchange Transactions

The current portion is disclosed in note 15 - Trade Receivables - Exchange Transactions

14 INVENTORY

	156,356,037	135,217,631
Materials and Supplies	130,582,916	112,132,914
Work in Progress - Other	86,869	20,215
Finished Goods - Water Stock (refer to note 28 for cost of inventory purchased)	19,413,794	16,773,046
Finished Goods - Other	6,272,458	6,291,456
Less: Provision for Obsolete Stock	(2,340,789)	(2,374,163)
	154,015,248	132,843,468

No inventory was pledged as security

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

15 Trade Receivables - Exchange Transactions

	R	R	R
	Gross Balances	Impairment Allowance	Carrying Amount
As at 30 June 2020			
Service Debtors	4,484,576,620	(2,589,539,109)	1,895,037,511
Electricity	1,597,690,790	(675,865,729)	921,825,061
Water	1,693,452,283	(1,094,417,526)	599,034,757
Refuse	453,603,283	(319,666,948)	133,936,335
Sanitation	739,830,264	(499,588,906)	240,241,358
House Rentals	48,046,192	(34,290,643)	13,755,549
Total	4,532,622,812	(2,623,829,752)	1,908,793,060

No consumer debtors were pledged as security.

In the event of defaults services are disconnected until such time that the outstanding debt has been paid or an arrangement entered into.

	Gross Balances	Impairment Allowance	Carrying Amount
As at 30 June 2019			
Service Debtors	3,741,896,983	(2,129,195,532)	1,612,701,451
Electricity	1,455,738,806	(540,527,209)	915,211,597
Water	1,446,837,099	(984,422,716)	462,414,383
Refuse	329,969,696	(244,550,718)	85,418,978
Sanitation	509,351,382	(359,694,889)	149,656,493
House Rentals	44,216,385	(28,219,386)	15,996,999
Total	3,786,113,368	(2,157,414,918)	1,628,698,450

	2020 R	Restated 2019 R
Electricity: Ageing		
Current (0-30 days)	681,545,665	773,272,176
31 - 60 Days	126,538,618	39,193,759
61 - 90 Days	21,120,286	19,555,099
Over 90 Days	768,486,221	623,717,772
Total	1,597,690,790	1,455,738,806
Water: Ageing		
Current (0-30 days)	185,172,795	188,819,324
31 - 60 Days	104,623,213	67,650,712
61 - 90 Days	123,903,513	59,427,724
Over 90 Days	1,279,752,762	1,130,939,339
Total	1,693,452,283	1,446,837,099
Refuse: Ageing		
Current (0-30 days)	30,320,794	31,399,754
31 - 60 Days	24,295,883	11,701,745
61 - 90 Days	16,650,785	10,025,878
Over 90 Days	382,335,821	276,842,319
Total	453,603,283	329,969,696

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	Restated 2019
	R	R
15 Trade Receivables - Exchange Transactions (Continued)		
Sanitation: Aaeina		
Current (0-30 days)	61,796,358	56,601,915
31 - 60 Days	43,915,133	27,041,372
61 - 90 Days	39,557,324	21,129,973
Over 90 Days	594,561,449	404,578,122
Total	739,830,264	509,351,382

Housing Rentals: Aaeina		
Current (0-30 days)	1,748,069	3,113,114
31 - 60 Days	2,669,331	1,219,842
61 - 90 Days	1,241,088	1,197,379
Over 90 Days	42,387,704	38,686,050
Total	48,046,192	44,216,385

Summary of Debtors by Customer Classification

	R	R	R
	<u>Residential</u>	<u>Industrial /</u>	<u>National and</u>
	<u>Consumers</u>	<u>Commercial</u>	<u>Provincial</u>
30 June 2020			
Current (0-30 days)	307,393,101	617,375,599	35,811,907
31 - 60 Days	86,871,292	174,678,533	40,492,347
61 - 90 Days	123,025,968	47,423,399	32,023,623
Over 90 Days	1,600,298,201	1,313,307,818	153,921,024
Gross Consumer Debtors by Customer classification	2,117,588,562	2,152,785,349	262,248,901
Gross Consumer Debtors			4,532,622,812
Less: Impairment allowance			(2,623,829,752)
Net Consumer Debtors for the year ended 30 June 2020			1,908,793,060

Summary of Debtors by Customer Classification

	R	R	R
	<u>Residential</u>	<u>Industrial /</u>	<u>National and</u>
	<u>Consumers</u>	<u>Commercial</u>	<u>Provincial</u>
30 June 2019			
Current (0-30 days)	283,467,830	741,285,563	28,449,812
31 - 60 Days	91,072,181	50,954,342	4,780,900
61 - 90 Days	78,415,852	27,247,084	5,673,112
Over 90 Days	1,452,873,363	941,308,852	80,584,477
Gross Consumer Debtors by Customer classification	1,905,829,226	1,760,795,841	119,488,301
Gross Consumer Debtors			3,786,113,368
Less: Impairment allowance			(2,157,414,918)
Net Consumer Debtors for the year ended 30 June 2019			1,628,698,450

	2020	Restated 2019
	R	R
Reconciliation of the Impairment Allowance		
Balance at beginning of year	2,157,414,918	1,786,736,985
Contributions to Impairment allowance	991,193,200	503,489,137
	3,148,608,118	2,290,226,122
Bad debts written off against the Impairment allowance	(524,778,366)	(132,811,204)
Balance at end of year	2,623,829,752	2,157,414,918

Financial Assets have been classified as loans and receivables.

The consumer debtors are billed at gazetted interest rate between 9.75% and 10.25% per annum on overdue accounts.

Consumer Debtors not past due nor impaired therefore no impairment allowance raised:

Neither past due nor impaired	1,908,793,060	1,628,698,450
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Consumer Debtors for which an impairment allowance was raised:

Provision (based on the collection of outstanding debts and debtors handed over to attorneys)	2,623,829,752	2,157,414,918
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NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	Restated 2019
	R	R
15 Trade Receivables - Non-exchange Transactions		
Property Rates	1,462,917,742	1,106,710,486
Provision for Bad Debts - Property Rates	(1,069,553,720)	(859,173,503)
Refer Restatement Note no. 40.3.4.1	393,364,022	247,536,983
Property rates: Aqueing		
Current (0-30 days)	18,992,575	26,564,099
31 - 60 Days	92,128,849	26,816,262
61 - 90 Days	39,827,679	24,021,453
Over 90 Days	1,311,968,639	1,029,308,672
Total	1,462,917,742	1,106,710,486
Reconciliation of the Impairment Allowance		
Balance at beginning of year	859,173,503	750,700,559
Contributions to Impairment allowance	271,657,582	137,235,251
	1,130,831,085	887,935,810
Bad debts written off against the Impairment allowance	(61,277,365)	(28,762,307)
Balance at end of year	1,069,553,720	859,173,503
16 Other Receivables - Exchange Transactions		
Accrued Income: Transfers and Subsidies - Housing	210,320,725	213,744,952
Accrued Income: Transfers and Subsidies - USDG	390,274,000	0
Accrued Income: Transfers and Subsidies - NPDG	10,000,000	0
Accrued Income: Transfers and Subsidies - IPTS	98,154,007	0
Accrued Income: Transfers and Subsidies - E-Share	255,415,000	0
Accrued Income: Transfers and Subsidies - Public Health	17,112,961	17,112,961
Accrued Income: Transfers and Subsidies - Coega	0	37,276,701
Accrued Income: Transfers and Subsidies - MBDA	63,081,470	42,062,376
Accrued Income: Market	29,826,074	30,966,759
Accrued Income: Other	110,005,071	153,079,491
Prepayments and Advances	14,131,905	14,900,000
Operating Leases - Straight Lining	3,235,879	2,920,481
	1,201,557,092	512,063,721
Provision for Bad Debts - Housing	(81,168,190)	(81,168,190)
Provision for Bad Debts - Market	(29,826,074)	(29,826,074)
	(110,994,264)	(110,994,264)
	1,090,562,828	401,069,457
Refer Restatement Note no. 40.3.2		

Amounts due from Government and external debtors are normally settled within 30 days and included in Accrued Income: Other above are debit balances in creditors which are still under investigation to determine whether they should have been there or not and are being cleared and updated where necessary.

17 CALL DEPOSITS AND INVESTMENTS

DEPOSITS and INVESTMENTS

ABSA Investment Account - interest receivable on monthly basis at the average annual interest rate of 2020: 2.75%, 3.50% and 5.95% (2019: 7.11% and 6.25%) during the current audit period.	523,310,000	711,810,000
First National Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2020: 5.80% (2019: 7.03%) during the current audit period.	520,000,000	711,500,000
Investec Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2020: 3.50% (2019: 6.25 %) during the current audit period.	148,434,177	140,344,337
Nedbank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2020: 3.35% and 6.07% (2019: 7.20% and 6.10%) during the current audit period.	560,500,000	712,000,000
Standard Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2020: 6.37% (2019: 7.33%) during the current audit period.	557,400,000	733,500,000
Standard Bank Stanlib Investment Account - interest receivable on monthly basis at the average annual interest rate of 2020: 5.06% (2019: 7.30%) during the current audit period.	259,657	259,657
	2,309,903,834	3,009,413,994

18 CALL DEPOSITS AND INVESTMENTS - OTHER

Sanlam Shares - Financial Instruments	2,411,766	3,198,229
	2,411,766	3,198,229
No Investments were pledged as security		
The Investments are committed as follows:	2,309,903,834	3,009,413,994
Transfers and Subsidies	230,978,012	295,261,516
Current Portion of Long-term Liabilities	99,142,909	89,658,501
COD Reserve	46,521,089	41,321,868
Self Insurance Reserve	85,600,224	60,000,000
Capital Replacement Reserve	227,353,908	45,047,783
	689,596,142	531,289,668
The balance is available for Trade and Other Payables	1,620,307,692	2,478,124,326

Also refer Notes 3, 7 and 7.1

The Municipality's Investment Policy and Investment Regulations, require local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate of interest to meet commitments.

The NMBM is the holder of 40 919 shares in Sanlam Ltd received or allotted for no cost, of which the market value is R2 411 766 (2019: R3 198 229) determined on the open market share price as at 30 June 2020. The shares were awarded to the NMBM as the beneficiary of an insurance endowment policy, which matured during October 1998.

All deposits are invested in call accounts with all of the above banks as per the above-mentioned interest rate options. Short-term investment deposits form part of cash and cash equivalents for purposes of the cash flow statement. Short-term Investment Deposits amounting to R99 142 909 (2019: R89 658 501) are ring-fenced and attributable to repaying long-term loans.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	Restated 2019 R
19 BANK BALANCES AND CASH		
The NMBM operates various current accounts with ABSA. The details are as follows:		
BANK: ABSA		
ACCOUNT NUMBER: 4079534961		
BRANCH: Greenacres		
BRANCH CODE: 632005		
Cash Book balance at beginning of the year	189,601,008	198,193,013
Cash Book balance at end of the year	<u>908,059,281</u>	<u>189,601,008</u>
Bank Balance at beginning of the year	205,002,964	138,260,400
Bank Balance at end of the year	<u>978,420,814</u>	<u>205,002,964</u>
Which are disclosed in the Statement of Financial Position as follows:		
Bank balances and cash	<u>908,059,281</u>	<u>189,601,008</u>
Refer Restatement Note no. 40.3.5		
Banking facilities with ABSA:		
- Financial guarantees	4,034,000	4,034,000
- Automated Clearing Bureau Credits limit	1,600,000,000	1,600,000,000
- Daily limit	350,000,000	350,000,000
- Automated Clearing Bureau Debits limit	15,000,000	15,000,000
Banking Securities with ABSA:		
- Financial guarantees	3,272,000	3,272,000
- Outward guarantees	3,590,990	3,590,990
20 PROPERTY RATES		
Actual		
Residential	1,059,422,281	920,279,876
Commercial	1,053,750,487	976,314,241
State	166,577,672	154,167,598
Other	83,620,891	76,546,725
	<u>2,363,371,331</u>	<u>2,127,308,440</u>
Refer Restatement Note no. 40.1.6		
As per the Municipal Property Rates Act, the latest date of valuation was 1 July 2016, with the implementation date being 1 July 2017 and is valid until 30 June 2021.		
*Other includes Agricultural, Public Service Infrastructure and Vacant Properties. These amounts are reflected excluding VAT.		
Valuations	R'000	R'000
Residential	97,471,716	96,907,099
Commercial	46,079,096	45,918,312
State	6,639,603	8,513,357
Other	8,454,555	6,688,553
	<u>158,644,970</u>	<u>158,027,321</u>
21.1 SERVICE CHARGES		
Sale of Electricity	3,717,443,930	3,688,405,762
Sale of Water	1,185,069,210	850,693,871
Service delivery - sale of inventory	<u>4,902,513,140</u>	<u>4,539,099,633</u>
Refuse Removal	247,680,809	192,753,629
Sewerage and Sanitation charges	650,334,620	536,186,265
Service delivery - sale of services	<u>898,015,429</u>	<u>728,939,894</u>
	<u>5,800,528,569</u>	<u>5,268,039,527</u>
Refer Restatement Note no. 40.1.2		
21.2 FINES, PENALTIES AND FORFEITS		
Fines (Library and Traffic)	<u>224,357,770</u>	<u>216,026,862</u>
Included in Fines above are Traffic fines shown as		
Fines issued for the year	78,371,200	171,834,050
Impaired, based on collection rate	(78,371,200)	(128,886,451)
Net fines collected	<u>0</u>	<u>42,947,599</u>
Refer Restatement Note no. 40.1.5		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	Restated 2019
	R	R
22 TRANSFERS AND SUBSIDIES		
PHB Subsidies (See Note 22.1)	580,372	2,667,132
Equitable Share Allocation (See Note 22.2)	1,021,661,000	939,530,000
Finance Management Grant (See Note 22.3)	930,338	982,577
Provincial Government Grants: Library Services (See Note 22.6)	15,870,000	15,870,000
Public Transport Networks Operations Grant (See Note 22.7.2)	42,021,706	86,681,950
EU Sector Policy Support Project (See Note 22.9)	0	0
Health Subsidies (See Note 22.10)	0	259,013
Other Grants (See Note 22.11)	3,449,317	3,798,064
Government Grant Revenue (See Note 22.12)	633,075,405	1,172,475,528
National Lotteries Grant (See Note 22.13)	0	172,730
Urban Settlements Development Grant (See Note 22.16)	75,955,198	37,971,982
Infrastructure Skills Development Grant (See Note 22.17)	9,443,198	11,609,633
EPWP Incentive Grant (See Note 22.18)	8,944,405	5,592,646
Department of Public Service and Administration (See Note 22.19)	0	1,224,552
Integrated City Development Grant (See Note 22.20)	0	688,791
Department of Roads and Public Works Grant (See Note 22.22)	5,264,926	9,063,928
LGSETA Discretionary Learnership Funding (See Note 22.23)	3,880,852	2,760,747
Fuel levy Allocation (See Note 22.25)	690,344,000	623,566,000
Other Transfers (See Note 22.26)	91,871,599	174,604,228
Public Contributions (See Note 22.27)	17,218,824	23,775,239
Municipal Emergency Housing Grant (See Note 22.28)	0	7,125,020
	2,620,511,140	3,120,419,760

Total Grant Receipts	2,337,322,610	3,310,312,455
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22.1 PHB Subsidies

This Grant is received from Provincial Government and is used for the construction of low cost housing.

Balance at beginning of year	1,200,000	1,874,751
Current year receipts	580,372	3,421,189
Interest received	82,405	136,230
Debtor raised - Refer Note 16	210,320,726	213,744,952
Reversal of prior year accrual	(210,320,726)	(215,173,760)
Interest paid over to Provincial Treasury	(82,405)	(136,230)
Conditions met - Transferred to revenue	(580,372)	(2,667,132)
Conditions still to be met - transferred to liabilities	1,200,000	1,200,000

22.2 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Balance unspent at beginning of year	0	0
Current year receipts	766,246,000	939,530,000
Debtor raised - Refer Note 16	255,415,000	0
Transferred to revenue	(1,021,661,000)	(939,530,000)
Conditions met	0	0

22.3 Finance Management Grant

This grant is used in the financial reform project under the guidance of National Treasury.

Balance unspent at beginning of year	0	0
Current year receipts	1,000,000	1,000,000
Conditions met - Transferred to Other Income - VAT portion	(69,662)	(17,423)
Conditions met - Transferred to revenue	(930,338)	(982,577)
Conditions met	0	0

22.4 Smart Grid Initiative

This Grant is used to develop innovative, interactive and improved technological solutions to deal with revenue enhancement.

Balance unspent at beginning of year	711,836	711,836
Current year receipts	0	9,884,259
Conditions met - Transferred to revenue - capital	0	(9,884,259)
Conditions still to be met - transferred to liabilities	711,836	711,836

22.5 Provincial Department of Human Settlements: Accreditation Grant

This Grant is used for capacity building of level 3 accreditation in the preparation of NMBM in the Human Settlements matters.

Balance unspent at beginning of year	1,973,952	1,973,952
Current year receipts	0	0
Conditions met - Transferred to revenue	0	0
Conditions still to be met - transferred to liabilities	1,973,952	1,973,952

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

22	TRANSFERS AND SUBSIDIES (Continued)	2020 R	Restated 2019 R
	22.6 Provincial Government Grants: Library Services		
	This grant is received from the Provincial Government and used to subsidise Libraries.		
	Balance at beginning of year	0	0
	Current year receipts	15,870,000	15,870,000
	Conditions met - Transferred to revenue	(15,870,000)	(15,870,000)
	Conditions met	<u>0</u>	<u>0</u>
	22.7.1 Public Transport Infrastructure Grant		
	This Grant is to provide for accelerated planning, construction and improvement of public and non-motorised transport infrastructure.		
	Balance unspent at beginning of year	16,424,051	27,074,670
	Transfer from Public Transport Networks Operations Grant	0	65,972,595
		<u>16,424,051</u>	<u>93,047,265</u>
	Current year receipts	61,846,000	123,065,000
	Conditions met - Transferred to revenue - capital	(61,196,987)	(172,613,544)
	Debtor accrual raised - Refer Note 16	98,154,007	0
	Transfer to E-Share	(16,424,051)	(27,074,670)
	Conditions still to be met - transferred to liabilities	<u>98,803,020</u>	<u>16,424,051</u>
	22.7.2 Public Transport Networks Operations Grant		
	This grant is to provide supplementary operational funding to Municipalities in order to operationalise the IPTS project within NMBM.		
	Balance unspent at beginning of year	0	184,545
	Current year receipts	138,134,000	152,470,000
	Transfer to Public Transport Infrastructure Grant	0	(65,972,595)
	Conditions met - Transferred to revenue	(42,021,706)	(86,681,950)
	Conditions still to be met - transferred to liabilities	<u>96,112,294</u>	<u>0</u>
	22.8 Integrated National Electrification Programme Grant		
	This Grant is used to fund electricity connections and upon application also the upgrade of the Electricity infrastructure in order to install these electricity connections.		
	Balance unspent at beginning of year	0	5,704,926
	Transfer to E-Share	0	(5,704,926)
	Current year receipts	0	19,503,000
	Conditions met - Transferred to revenue - capital	0	(16,959,140)
	Conditions met - Transferred to Other Income - VAT portion	0	(2,543,860)
	Conditions met	<u>0</u>	<u>0</u>
	22.9 EU Sector Policy Support Project		
	This Grant is received from the European Union to fund various authorised developmental projects within certain designated targeted areas of the NMBM (i.e Motherwell).		
	Balance unspent at beginning of year	1,744,599	1,744,599
	Current year receipts	0	0
	Conditions still to be met - transferred to liabilities	<u>1,744,599</u>	<u>1,744,599</u>
	22.10 Health Subsidies		
	This grant is received from the Provincial Government and used in the Health function.		
	Balance unspent at beginning of year	0	0
	Debtor raised	0	259,013
	Conditions met - Transferred to revenue	0	(259,013)
	Conditions met	<u>0</u>	<u>0</u>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

22	TRANSFERS AND SUBSIDIES (Continued)	2020 R	Restated 2019 R
	22.11 Other Grants		
	These are grants received by the NMBM for various purposes.		
	Balance unspent at beginning of year	1,306,400	1,735,658
	Current year receipts	3,032,723	3,961,521
	Transfer to Other Income	0	(592,715)
	Conditions met - Transferred to revenue	(3,449,317)	(3,798,064)
	Conditions still to be met - transferred to liabilities	889,806	1,306,400
	22.12 Government Grant Revenue		
	Relates to the Funding of Capital Projects financed by Government Grants which are disclosed under Government Grants and Subsidies.		
		633,075,405	1,172,475,528
	22.13 National Lotteries Grant		
	This grant is used to fund Art and Culture programmes		
	Balance unspent at beginning of year	1,305,131	1,477,861
	Current year receipts		0
	Conditions met - Transferred to revenue	0	(172,730)
	Conditions still to be met - transferred to liabilities	1,305,131	1,305,131
	22.14 CDC Walmer Intervention Funding Grant		
	This grant is used to speed up service delivery intervention in Walmer Gqebera township.		
	Balance unspent at beginning of year	9,068,420	9,068,420
	Current year receipts	0	0
	Debtor raised	0	0
	Conditions met - Transferred to revenue - Capital	0	0
	Conditions still to be met - transferred to liabilities	9,068,420	9,068,420
	22.15 Neighbourhood Partnership Development Grant		
	This grant is used for the urban renewal of certain targeted / designated townships.		
	Balance unspent at beginning of year	0	4,325,066
	Transfer to E-share	0	(4,325,066)
	Current year receipts	15,000,000	0
	Conditions met - Transferred to revenue - capital	(10,360,866)	0
	Debtor accrual raised - Refer Note 16	10,000,000	0
	Conditions met - Transferred to Other Income - VAT	(1,554,130)	0
	Conditions still to be met - transferred to liabilities	13,085,004	0
	22.16 Urban Settlements Development Grant		
	This grant is used to improve urban land production to the benefit of poor households as well as improving spatial integration and densities.		
	Balance unspent at beginning of year	45,466,978	0
	Transfer to E-Share - Owing to NT	(12,081,712)	0
	Current year receipts	585,411,000	1,105,664,000
	Conditions met - Transferred to revenue - capital	(539,666,935)	(879,113,885)
	Conditions met - Transferred to Other Income - VAT portion	(86,106,232)	(143,111,155)
	Debtor accrual raised - Refer Note 16	390,274,000	0
	Conditions met - Transferred to revenue	(75,955,198)	(37,971,982)
	Conditions still to be met - transferred to liabilities	307,341,901	45,466,978
	22.17 Infrastructure Skills Development Grant		
	This grant is used for skills development in certain targeted service delivery directorates.		
	Balance unspent at beginning of year	0	3,646,465
	Transfer to E-Share - Owing to NT	0	(3,646,465)
		0	0
	Current year receipts	9,500,000	11,834,000
	Conditions met - Transferred to revenue	(9,443,198)	(11,609,633)
	Conditions met - Transferred to Other Income - VAT portion	(56,802)	(224,367)
	Conditions met	0	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	Restated 2019 R
22 TRANSFERS AND SUBSIDIES (Continued)		
22.18 EPWP Incentive Grant		
This grant is used to implement expanded public works programme.		
Balance unspent at beginning of year	1,091,282	0
Transfer to E-Share - Owing to NT	(1,091,282)	0
Current year receipts	8,950,000	6,711,000
Conditions met - Transferred to revenue	(8,944,405)	(5,592,646)
Conditions met - Transferred to Other Income - VAT portion	(5,595)	(27,072)
Conditions met	0	1,091,282
22.19 Department of Public Service and Administration Grant		
This grant is used for the improvement of front -line public service delivery in South Africa.		
Balance unspent at beginning of year	0	241,156
Current year receipts	0	983,396
Conditions met - Transferred to revenue	0	(1,224,552)
Conditions met	0	0
22.20 Integrated City Development Grant		
This grant is used for the development of more inclusive, liveable, productive and sustainable urban built environments in the metropolitan municipalities.		
Balance unspent at beginning of year	0	0
Current year receipts	12,697,000	12,355,000
Conditions met - Transferred to revenue - capital	(10,735,422)	(10,054,687)
Conditions met - Transferred to Other Income - VAT portion	(1,610,313)	(1,611,522)
Conditions met - Transferred to revenue	(1,667,279)	(688,791)
Conditions still to be met - transferred to liabilities	351,265	0
22.21 Drought Relief Grant		
The grant is used for responding to the immediate communities needs with the aim to alleviate the immediate consequences of drought within the municipality.		
Balance unspent at beginning of year	207,695,396	89,217,785
Transfer to E-Share	(6,833,954)	(18,494,873)
Current year receipts	0	233,400,000
Conditions met - Transferred to revenue - capital	(11,115,196)	(83,850,014)
Conditions met - Transferred to revenue - VAT	(1,667,279)	(12,577,502)
Conditions still to be met - transferred to liabilities	188,078,967	207,695,396
22.22 Department of Roads and Public Works Grant		
This grant is used to fund the maintenance of Provincial roads in the Metropolitan area		
Balance unspent at beginning of year	0	0
Current year receipts	6,145,485	10,579,870
Conditions met - Transferred to revenue	(5,264,926)	(9,063,928)
Conditions met - Transferred to Other Income	(78,974)	(135,959)
Conditions met - Transferred to revenue - VAT	(801,585)	(1,379,983)
Conditions met	0	0
22.23 LGSETA Discretionary Learnership Funding		
This grant is used to facilitate access to skills development, education and training in the local government sector and community in general.		
Balance unspent at beginning of year	6,400,690	3,547,477
Current year receipts	5,347,206	5,613,960
Conditions met - Transferred to revenue	(3,880,852)	(2,760,747)
Conditions still to be met - transferred to liabilities	7,867,044	6,400,690
22.24 Provincial Department Agency: Communication Grant		
This grant is used for the roll out of public Wi-Fi to all Municipal Libraries, Customer Care centres and Traffic Licensing centres.		
Balance unspent at beginning of year	872,781	872,781
Current year receipts	0	0
Conditions met - Transferred to revenue	0	0
Conditions still to be met - transferred to liabilities	872,781	872,781
22.25 Fuel Levy		
Balance unspent at beginning of year	0	0
Current year receipts	690,344,000	623,566,000
Transferred to revenue	(690,344,000)	(623,566,000)
Conditions met	0	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	Restated 2019
22 TRANSFERS AND SUBSIDIES (Continued)		
22.26 Other Transfers		
Relates to the Funding of VAT on Capital and Operating Projects	91,871,599	174,604,228
22.27 Public Contributions		
Relates to the Funding of Capital Projects from Donations	17,218,824	23,775,240
22.28 Municipal Emergency Housing Grant		
This grant is used to provide funding to municipalities for provision of temporary shelter assistance to households affected by disasters		
Balance unspent at beginning of year	0	0
Current year receipts	0	7,125,020
Conditions met - Transferred to revenue	0	(7,125,020)
Conditions met	0	0
23.1 RENTAL OF FACILITIES AND EQUIPMENT	R	R
Hire of Halls	2,296,231	3,419,410
Hire of Containers	4,371,269	4,247,543
Hire of Buildings	3,405,834	11,680,437
Resorts rentals	480,000	480,000
Rentals of Sporting Facilities	799,900	619,144
Rentals: Other	6,985,252	6,352,128
Accommodation rentals	4,635,980	6,359,895
	22,974,466	33,158,557
23.2 OTHER REVENUE	R	R
Operational Revenue: Administrative Handling Fees	96,223	1,753,416
Operational Revenue: Inspection Fees	3,379,468	4,830,670
Operational Revenue: Commission	14,762,807	15,093,094
Sales of Goods and Rendering of Services: Building Plan Approval	8,365,853	11,286,714
Sales of Goods and Rendering of Services: Academic Services	512,980	2,901,535
Sales of Goods and Rendering of Services: Advertisements	4,656,505	4,702,345
Sales of Goods and Rendering of Services: Cemetery and Burial	9,881,691	10,754,119
Sales of Goods and Rendering of Services: Entrance Fees	6,315,393	21,692,320
Sales of Goods and Rendering of Services: Transport Fees	10,444,258	17,006,740
Sales of Goods and Rendering of Services: Scrap, Waste & Other Goods: Recycling of Waste	9,410,682	12,081,958
Sales of Goods and Rendering of Services: Legal Fees	13,328,491	11,512,231
Sales of Goods and Rendering of Services: Other	6,696,091	9,589,901
Operational Revenue: Other	12,974,327	5,984,066
	100,824,769	129,189,109
Refer Restatement Note no. 40.1.4		
24 EMPLOYEE RELATED COSTS		
Employee related costs - Municipal Staff - Salaries and Wages	1,995,369,378	1,834,082,691
Employee related costs - Senior Management - Salaries and Wages	14,787,052	13,037,633
Employee related costs - Municipal Staff - Social Contributions	454,401,220	745,416,860
Employee related costs - Senior Management - Social Contributions	12,758	10,708
Employee related costs - Municipal Staff - Allowances	207,405,433	146,613,613
Housing benefits	13,096,470	12,274,270
Overtime payouts	303,699,722	252,878,836
Performance bonus: Municipal Staff	34,664,644	35,005,747
Performance bonus: Senior Management	1,584,140	1,462,865
Long-service Awards	52,998,837	172,362,663
	3,078,019,654	3,213,145,886
Refer Restatement Note no. 40.2.1		
Remuneration of the City Manager (Acting in place)		
Annual Remuneration	2,603,160	2,603,160
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0
Total	2,603,160	2,603,160
Remuneration of the Chief Financial Officer		
Annual Remuneration	1,064,104	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0
Total	1,064,104	0
Remuneration of the Chief Operating Officer - Current		
Annual Remuneration	704,713	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	60,000	0
Total	764,713	0
Remuneration of the Chief Operating Officer - Previous		
Annual Remuneration	1,137,248	2,018,784
Travel, Subsistence, UIF, Medical, Pension Funds, Other	60,840	108,000
Total	1,198,088	2,126,784
Remuneration of the Chief of Staff - Current		
Annual Remuneration	1,224,432	170,220
Travel, Subsistence, UIF, Medical, Pension Funds, Other		129,630
Total	1,224,432	299,850
Remuneration of the Chief of Staff - Previous		
Annual Remuneration	0	958,090
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0
Total	0	958,090

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

24	EMPLOYEE RELATED COSTS (Continued)	2020	Restated 2019
		R	R
	Remuneration of the Chief of Police		
	Annual Remuneration	1,603,704	1,603,704
	Travel, Subsistence, UIF, Medical, Pension Funds, Other	144,000	144,000
	Total	1,747,704	1,747,704
	Remuneration of Individual Executive Directors		
	Corporate Services (Vacant) (Acting in place)		
	Annual Remuneration	0	0
	Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0
		0	0
	Economic Development, Tourism and Agriculture		
	Annual Remuneration	1,849,791	1,736,112
	Travel, Subsistence, UIF, Medical, Pension Funds, Other	184,780	192,000
		2,034,571	1,928,112
	Infrastructure and Engineering		
	Annual Remuneration	2,036,543	1,928,112
	Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0
		2,036,543	1,928,112
	Electricity and Energy		
	Annual Remuneration	1,053,660	0
	Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0
		1,053,660	0
	Safety and Security		
	Remuneration for 7 months	1,862,868	1,862,868
	Travel, Subsistence, UIF, Medical, Pension Funds, Other		35,300
		1,862,868	1,898,168
	Human Settlements (Vacant) (Acting in place)		
	Annual Remuneration	0	1,946,352
	Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0
		0	1,946,352
	Sports, Recreation, Arts and Culture		
	Annual Remuneration	1,874,282	1,748,112
	Travel, Subsistence, UIF, Medical, Pension Funds, Other	176,400	208,534
		2,050,682	1,956,646
	Public Health (Vacant) (Acting in place)		
	Annual Remuneration	0	0
	Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0
		0	0
25	REMUNERATION OF COUNCILLORS	R	R
	Mayor's Remuneration	1,410,641	1,349,977
	Deputy Mayor's Remuneration	547,323	908,740
	Speaker's Remuneration	1,134,108	1,090,255
	Mayoral Committee members	13,291,571	13,306,944
	Other Councillors' Remuneration	54,761,989	52,254,668
	Telephone Allowances	4,895,781	4,884,142
	3G Allowance	432,900	434,400
		76,474,313	74,229,126

In-kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker, Mayoral Committee Members and Chief Whip are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has the use of a Council owned vehicle for official duties driven by a chauffeur employed by the Council.

In accordance with the Councillors' remuneration package; the structure is an all-inclusive package, with the exception of a Telephone Allowance and a 3G Allowance. The package is within the upper limits of the framework as envisaged in section 219 of the Constitution.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	Restated 2019 R
26 DEBT IMPAIRMENT - RECEIVABLES		
Bad debts consists of the following:		
Bad debts expense	529,552,925	216,744,656
ATTP and Miscellaneous fees and charges - Funding	524,778,366	161,573,511
Miscellaneous - Non-funding	4,774,559	25,345,071
Other - Non-funding		29,826,074
Net Contribution to doubtful debts	608,786,349	413,478,382
Contribution to doubtful debts (inclusive of VAT) - Service Charges	991,193,202	503,489,138
Contribution to doubtful debts (inclusive of VAT) - Property Rates	271,657,582	137,235,251
Less: VAT portion	129,286,069	65,672,496
Contribution to doubtful debts (excluding VAT)	1,133,564,715	575,051,893
Less: Bad debts written off against the provision	524,778,366	161,573,511
	608,786,349	413,478,382
	1,138,339,274	630,223,038
DEBT IMPAIRMENT - OTHER		
Impairment - Traffic Fines	78,371,200	128,886,451
	78,371,200	128,886,451
The Impairment of Traffic Fines was based on the collection rate of fines. Refer Note 21.2 for more details.		
27 FINANCE CHARGES		
Interest on External Loans	123,309,079	132,916,132
Interest on Other	1,515,729	6,623,401
Total Finance Charges	124,824,808	139,539,533
Finance cost accrued / Prior year accrual reversals	(3,170,968)	(2,952,243)
Finance charges paid	127,995,776	142,491,776
28 BULK PURCHASES		
Electricity	3,387,433,582	3,101,601,145
Water (Refer to Note 14)	123,971,373	127,433,597
	3,511,404,955	3,229,034,742
29 TRANSFERS AND SUBSIDIES		
Grants in aid	5,995,469	8,418,216
Grants to Other Organisations	112,747,731	154,362,914
	118,743,200	162,781,130
Refer Restatement Note no. 40.2.5		
30 SIGNIFICANT ITEMS IN THE STATEMENT OF FINANCIAL PERFORMANCE		
30.1 CONTRACTED SERVICES		
Is made up as follows:		
Consultants and Professional Services:Business and Advisory	16,720,103	25,583,405
Consultants and Professional Services:Infrastructure and Planning:Town Planner	24,141,839	24,440,738
Consultants and Professional Services:Laboratory Services	243,712	138,443
Consultants and Professional Services:Legal Cost	46,867,118	66,555,536
Contractors:Building	900,986	3,504,255
Contractors:Other	21,125,162	28,934,366
Contractors:Maintenance of Buildings and Facilities	44,259,725	90,277,469
Contractors:Maintenance of Equipment	113,957,372	162,437,355
Contractors:Maintenance of Unspecified Assets	17,317,253	48,796,174
Contractors:Sewerage Services	39,813,314	51,271,301
Contractors:Management of Informal Settlements	1,463,502	9,185,976
Contractors:Safeguard and Security	910,313	796,043
Contractors:Transportation	32,234,539	35,103,640
Outsourced Services:Other	11,863,418	16,601,049
Outsourced Services:Alien Vegetation Control	1,934,680	1,558,460
Outsourced Services:Animal Care	580,652	618,453
Outsourced Services:Business and Advisory:Project Management	128,478,741	226,031,318
Outsourced Services:Clearing and Grass Cutting Services	16,145,869	25,367,075
Outsourced Services:Electrical	21,677,816	27,346,334
Outsourced Services:Hygiene Services	34,082,915	31,207,902
Outsourced Services:Illegal Dumping	5,488,190	7,667,840
Outsourced Services:Litter Picking and Street Cleaning	5,699,326	16,209,968
Outsourced Services:Meter Management	10,050,042	10,947,976
Outsourced Services:Refuse Removal	28,624,581	10,888,357
Outsourced Services:Security Services	2,540,834	68,551,525
Outsourced Services:Traffic Fines Management	6,466,499	15,015,624
Outsourced Services:Transport Services	16,272	154,184
	633,604,773	1,005,190,766
Refer Restatement Note no. 40.2.2		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	Restated 2019 R
30 SIGNIFICANT ITEMS IN THE STATEMENT OF FINANCIAL PERFORMANCE		
30.2 OTHER EXPENDITURE		
Is made up as follows:		
Operating Leases: Various Assets	31,190,337	37,581,850
Operational Cost: Advertising, Publicity and Marketing	20,569,817	8,913,844
Operational Cost: Other	96,275,006	33,013,095
Operational Cost: Municipal Services	34,504,647	37,362,345
Operational Cost: External Computer Service	76,091,798	95,248,572
Operational Cost: Hire Charges	117,270,955	102,330,133
Operational Cost: Insurance Underwriting	15,343,325	10,779,901
Operational Cost: Intercompany/Parent-subsidiary Transactions	1,882,499	1,293,842
Operational Cost: Licences	4,779,558	7,477,013
Operational Cost: Commission: Prepaid Electricity and Third Party Vendors	21,920,801	18,963,054
Operational Cost: Communication	36,690,459	37,557,289
Operational Cost: Registration Fees	1,472,245	4,436,235
Operational Cost: Skills Development Fund Levy	27,460,745	25,384,086
Operational Cost: Travel and Subsistence	3,113,585	7,113,851
Operational Cost: Uniform and Protective Clothing	11,833,939	13,819,435
Operational Cost: Workmen's Compensation Fund	5,924,097	6,246,595
	506,323,813	447,521,140
Refer Restatement Note no. 40.2.3		
30.3 OTHER MATERIALS		
Is made up as follows:		
Consumables: Standard	96,279,981	55,594,281
Consumables: Zero-rated	54,657,965	58,866,316
Finished Goods	23,165,830	13,216,962
Materials and Supplies	31,636,026	31,372,082
	205,739,802	159,049,641
Refer Restatement Note no. 40.2.4		
31 DEPRECIATION AND AMORTISATION		
31.1 Depreciation - Property, Plant and Equipment	957,211,505	881,678,588
31.2 Amortisation	113,692,955	90,814,045
32 CASH GENERATED FROM OPERATIONS		
Surplus for the year	992,700,604	1,179,964,193
Adjustment for:		
Interest accrued	-39,494,287	-62,488,861
Impairment of receivables	676,795,051	508,976,951
Write down to net realisable value	33,374	1,169,595
Depreciation	957,211,542	881,678,588
Amortisation	113,692,955	90,814,045
Finance cost accrued	3,170,968	2,952,243
Contribution to provisions / employee benefit obligation - non-current	-221,333,751	234,109,999
Contribution to provisions / employee benefit obligation - current	82,304,870	50,677,470
Unrealised gain to Sanlam shares	786,463	(1,376,363)
Loss on Disposal of Property Plant and Equipment	0	1,188,260
Impairment of PPE / Heritage Assets/ Fines	95,380,718	15,820,657
Impairment of Fines	78,371,200	128,886,451
Fines Income accrued	(98,147,714)	(166,715,221)
PPE Take-on	(34,794,113)	(39,052,865)
Operating Surplus before working capital changes	2,606,677,880	2,826,605,142
(Increase) / Decrease in Inventory	(21,138,406)	28,262,469
Increase in Trade Receivables	(1,102,716,700)	(656,759,755)
Increase in Other Receivables	(668,474,277)	(14,295,893)
Decrease / (Increase) in VAT	92,778,508	110,662,349
(Decrease) / Increase in Trade Payables	(9,255,937)	110,860,063
(Increase) / Decrease in Long-term Receivables	37,052,794	(12,592,027)
	934,923,862	2,392,742,348
33 MOVEMENT IN LONG-TERM LOANS (EXTERNAL)		
Loans repaid	(89,658,501)	(79,760,410)
	(89,658,501)	(79,760,410)
34 CASH AND CASH EQUIVALENTS		
Short-term Investment Deposits	2,309,903,834	3,009,413,994
Bank balances and cash	908,059,281	189,601,008
Total Cash and Cash Equivalents	3,217,963,115	3,199,015,002
35 DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
35.1 Contributions to organised local government		
Opening balance	0	0
Council subscriptions	14,900,000	14,100,000
Amount paid - current year	(14,900,000)	(14,100,000)
Balance unpaid (included in creditors)	0	0
35.2 Audit Fees		
Opening balance	375,224	196,905
Current year audit fee	26,179,896	22,412,517
Amount paid - current year	(26,179,896)	(22,037,293)
Amount paid - previous year	(375,224)	(196,905)
Balance unpaid (included in creditors)	0	375,224

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

35	DISCLOSURES IN TERMS OF MUNICIPAL FINANCE	2020 R	Restated 2019 R
35.3 VAT			
The Net effect of the VAT inputs and VAT output are shown in note 8. All VAT returns have been submitted by the due date throughout the year.			
35.4 PAYE and UIF			
Opening balance		40,376,476	33,753,626
Current year payroll deductions		536,777,173	485,603,145
Amount paid - current year		(491,952,049)	(445,226,669)
Amount paid - previous year		(40,376,476)	(33,753,626)
Balance unpaid (included in creditors)		44,825,124	40,376,476
35.5 PENSION AND MEDICAL DEDUCTIONS			
Opening balance		0	0
Current year payroll deductions and Council Contributions		818,565,738	754,343,760
Amount paid - current year		(818,565,738)	(754,343,760)
Balance unpaid (included in creditors)		0	0
35.6 SKILLS DEVELOPMENT LEVY			
Opening balance		2,125,119	1,879,401
Current year payroll deductions		22,563,267	25,370,698
Amount paid - current year		(22,563,267)	(23,245,579)
Amount paid - previous year		(2,125,119)	(1,879,401)
Balance unpaid (included in creditors)		0	2,125,119
OTHER ADDITIONAL DISCLOSURES:			
35.7 IMPAIRMENT			
Impairment		102,537,877	15,820,657
The Impairment relates to Intangible Assets.			
35.8 LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT			
Loss on disposal of property, plant and equipment		0	1,188,260
It must be noted that there were no Loss on Disposal of Property, Plant and Equipment.			
It must be noted that there were no Gains on Disposal of Property, Plant and Equipment.			
35.9 WATER LOSSES			
The NMBM suffered water losses of 49,522 megalitres (46.3%) amounting to R314.3 million (2019: 41,219 megalitres (41.1%) amounting to R158.1 million) during the year. The value of the water losses have been based on cost for both years. Various water demand management interventions are being implemented to curb water losses.			
The 46% of water losses are made up of apparent (commercial) losses (8.8%) and real (physical) losses (35%) and unbilled authorised consumption (2.6%). Apparent losses include unauthorised consumption from theft or illegal use, plus all technical and administrative inaccuracies associated with			
35.10 ELECTRICITY LOSSES			
The NMBM suffered electricity losses of 20.30% amounting to total accumulative losses of R 558.63 million (2019: 15.47% amounting to R 484.18 million). Various electricity management interventions are being implemented to curb these losses are being implemented.			
The Electricity losses as defined above are separated between technical (6% amounting to R 164,256,445) and non-technical losses (14.3% amounting to R 394,369,846). Technical losses are inherent losses in a distribution system and these include copper losses, iron losses and heat losses due to current flow. Public lighting includes traffic signals, Highmast and Streetlights. Non-Technical Losses can be attributed to theft that is illegal connections, meter tampering and non billed revenue due to faulty meters.			
It must be further noted that the prescribed norms for electricity losses is +/- 10%.			

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

36.1 Councillors' arrear consumer accounts

Councillors had arrear accounts outstanding for more than 90 days as at:	R <u>Arrangements</u>	R <u>Outstanding more than 90 days</u>
30 June 2020		
Councillor TP Adams		1,105
Councillor ME Bobani		14,956
Councillor NM Booi		16,772
Councillor KK Boqwana	996	-
Councillor ML Boti		730
Councillor MS Breakfast		33,488
Councillor TCS Buyeye		10,759
Councillor MV Daniels		8,465
Councillor Z Dlula		17,904
Councillor V Dyele	8,368	-
Councillor G Faldtman	9,579	-
Councillor P Hermaans		894
Councillor AD Isaacs		1,690
Councillor B Jacobs		1,520
Councillor Z Kalani		18,871
Councillor RC Kayser		159,978
Councillor OH Kepe		398
Councillor L Kruger		503
Councillor AW Lungisa		1
Councillor ML Makunga	-	29,142
Councillor GD Maqula		2,102
Councillor L Mfana		1,623
Councillor GG Miggels		2,217
Councillor M Mngcokoca	628	-
Councillor L Mrara		385
Councillor NC Mtati		313
Councillor MJ Mtsila		285
Councillor SL Ncana		2,812
Councillor MM Nkosi		1,592
Councillor LX Nombexeza		4,390
Councillor SD Nzanzeka	11,488	-
Councillor RB Riordan		2,885
Councillor X Sabani		368
Councillor S Sijadu		68
Councillor L Sokudela	-	22,680
Councillor L Suka	5,452	-
Councillor A Tyokwana		1,821
Councillor PB Vani		1,460
	36,511	362,177

Councillors had arrear accounts outstanding for more than 90 days as at:	<u>Arrangements</u>	<u>Outstanding more than 90</u>
30 June 2019		
Councillor TP Adams		23
Councillor ME Bobani		11,309
Councillor KK Boqwana		4
Councillor V Dyele	20,335	-
Councillor FVN Greyling		17
Councillor AD Isaacs		23
Councillor RC Kayser		36,159
Councillor AW Lungisa		1
Councillor GG Miggels		17
Councillor M Mngcokoca	7,296	-
Councillor L Mrara	-	616
Councillor SS Plaatjies	823	-
Councillor LP Qukubana	431	-
Councillor NE Sikweyiya	3,602	-
Councillor PB Vani		13
Councillor MM Zinto	4,765	-
	37,252	48,182

Councillors' consumer accounts outstanding for more than 30 days at a particular month-end are deducted from the Councillors' remuneration for the following month.

36.2 List of Entities and related transactions

	2020 R	Restated 2019 R
1 Solely-controlled entities		
The following entity is solely controlled by the NMBM and have received the following grants:		
Mandela Bay Development Agency (excluding VAT)	107,000,000	98,001,225

Although a related party relationship does exist, the transactions were made in the ordinary course of business and as such the transactions do not constitute related party transactions as per the definition per IPSAS 20 on related parties. However these amounts have been included as the additional disclosure is required by the MFMA.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	Restated 2019
	R	R
36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (C		
36.2 List of Entities and related transactions (Continued)		
2 Section 57 Employees (See note 24)		
3 Other Organisations		
The Organisations have received the following grants / payments:		
1. Uitenhage Despatch Development Initiative	0	0
2. Nelson Mandela Bay Tourism	35,221	7,275,629
3. Surf lifesaving Club	0	209,360
Grants / payments to Other Organisations	35,221	7,484,989

Although a related party relationship does exist, the transactions were made in the ordinary course of business and as such the transactions do not constitute related party transactions as per the definition per IPSAS 20 on related parties. However these amounts have been included as the additional disclosure is required by the MFMA.

36.3 Suppliers in which close family members of employees, councillors/ directors or Mayor have interest:

Family of employees who have interest in a government suppliers:	45,485,894	56,704,780
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Although a related party relationship does exist as awards were made to suppliers in which close family members of employees have an interest, these transactions were in the ordinary course of business at market related rates. However this disclosure has been included as required by SCM regulation 45.

4,644,356	5,163,573
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Although a related party relationship does exist, contracts were awarded to certain councillors and officials in which they have an interest. These transactions were made in the ordinary course of business at market related rates. However this disclosure has been included as required by SCM regulation 44.

36,537,136	10,927,719
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36.4 Supply Chain Management Policy

The Municipal Manager has the power to authorise deviations from the normal Procurement Process. The deviations for the 2019/20 financial year are detailed as follows in terms of section 36 (1) (a) of the Supply Chain Management Policy:

	2020	Restated 2019
Deviations: Supply Chain Management Policy	Payments made	Payments made
	R	R
(i) In an emergency:	509,947	184,891
(ii) If such goods or services are produced or available from a single provider only:	20,072,083	46,603,567
(iii) For the acquisition of special works of art, artistic services or historical objects where specifications are difficult to compile:	0	0
(iv) Acquisition of animals for zoos and/or nature and game reserves:	0	0
(v) In any other exceptional cases where all possible options have been explored, and it is still impractical or impossible to follow the official procurement processes	0	0
36 (1) (b) - Ratify any minor breaches of the procurement processes.	0	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	Restated 2019 R
37 CAPITAL COMMITMENTS		
Approved and contracted for	681,291,243	638,453,299
Land and Buildings	0	6,111,957
Infrastructure	667,245,795	599,711,032
Community	12,836,437	16,255,659
Intangible	0	16,374,651
Other	1,209,011	0
Total	681,291,243	638,453,299
The balance of the tender was adjusted to 15% inclusive of VAT in order to take into account the change in VAT rate from 14% to 15% effective from 1 April 2018.		
This expenditure will be financed from:		
Fuel Levy	31,869,382	78,886,152
Urban Settlements Development Grant (USDG)	596,287,331	458,494,155
Integrated Public Transport Grant	47,643,838	83,965,921
Capital Replacement Reserve	5,490,692	1,001,870
Neighbourhood Development Partnership Grant	0	2,478,866
Municipal Disaster Grant - Emergency Drought Relief	0	13,626,335
Total	681,291,243	638,453,299
38 UTILISATION OF LONG-TERM LIABILITIES		
RECONCILIATION		
Long-term liabilities (See Note 3)	1,093,741,560	1,186,061,266
Used to Finance property, plant and equipment - at cost	1,093,741,560	1,186,061,266
Sub-total	0	0
Cash set aside for the repayment of long-term liabilities		
(See Note 3) - This is only the capital portion of the loan.	99,142,909	89,658,501
39 FINANCIAL RISK MANAGEMENT		

There have been no significant changes in the risks below from the prior year to current. The risks have remained the same.

Interest rate risk

The NMBM is not exposed to interest rate risk on its financial liabilities. All of the NMBM's interest-bearing external loan liabilities, as detailed in Note 3 are fixed interest loans. No interest rate swap agreements have been entered into. The NMBM invests its surplus funds in fixed interest rate deposits with banks for fixed terms not exceeding one year.

Liquidity risk

The liquidity risk is the risk that the NMBM is not able to settle its obligations. The NMBM manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows. The NMBM has secured standby credit facilities in the form of an overdraft facility with its banker in order to cater for any unexpected temporary shortfall in operating funds. The maximum exposure to liquidity risk is the trade creditors and long term borrowings. Consumer deposits have a low exposure to liquidity risk.

The following table details the NMBM's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the NMBM can be required to pay. The table includes both estimated interest and principal cash flows. A sensitivity analysis was not considered to be necessary.

Trade payables		
1-3 months	2,485,896,294	2,434,965,409
> 3 months	97,103,200	103,810,789
	2,582,999,494	2,538,776,198
Long term borrowings		
< 12 months	99,142,909	89,658,501
> 12 months	1,016,371,753	1,116,776,821

Credit risk

The NMBM manages credit risk in its borrowing and investing activities by dealing with only A-rated financial institutions, and by spreading its exposure over a range of such institutions in accordance with its approved Cash Management and Investments Policy. Credit risk relating to consumer debtors is managed in accordance with NMBM's credit control and debt collection policy. The NMBM's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in Note 15 to the financial statements. The maximum exposure to credit risk is the consumer debtors, which may reduce as a result of non-payment by debtors.

Refer to note 52 for table.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

39 FINANCIAL RISK MANAGEMENT (Continued)

Fair value interest risk

The NMBM is exposed to fair value interest rate risk on its external loan liabilities, which are all fixed interest rates. The fair value of financial assets and liabilities are disclosed and compared with their carrying values. See note 52 for fair values of all financial liabilities. SANLAM shares is the only financial instrument and has a very low risk exposure and have been disclosed at the Market value of the share as at 30 June.

Currency risk

There were no currency risk exposure in the current and prior year.

40 RESTATED PRIOR YEAR COMPARATIVES

Restated 2019
R

Prior Period Adjustments:

Net effect of changes - see details below

(5,203,819)

Net effect on surplus

(5,203,819)

Statement of Financial Performance

40.1.1 Surplus for the year

Balance as per audited financial statements (as previously reported)

1,184,159,949

Net effect on surplus

(5,203,819)

Service Charges (Refer 40.1.2)
Rental of Facilities and Equipment (Refer 40.1.3)
Other Revenue (Refer 40.1.4)
Fines, Penalties and Forfeits (Refer 40.1.5)
Property Rates (Refer 40.1.6)

3,430,398
141,000
1,974,006
1,004,764
(940,484)

Employee Related Costs (Refer 40.2.1)
Contracted Services (Refer 40.2.5)
Other Expenditure (Refer 40.2.6)
Other Materials (Refer 40.2.7)
Transfers and Subsidies (Refer 40.2.8)

196,837
(8,256,499)
(521,100)
(568,648)
(1,664,093)

Restated surplus for 2018/19

1,178,956,130

40.1.2 Service Charges

Income as per Audited financial statements (as previously reported)

5,234,658,834

Transfer from Other Revenue
Transfer from Rental of Facilities
Transfer from Other Receivables

29,727,812
222,483
3,430,398

5,268,039,527

Other Revenue in the amount of R29 727 812, was moved to Service Charges in accordance with MSCOA.

Rental of Facilities in the amount of R222 483 was moved to Service Charges.

Service charges in the amount of R3 430 398, which have not been previously accrued for.

40.1.3 Rental of Facilities and Equipment

Income as per Audited financial statements (as previously reported)

27,458,617

Transfer from Other Revenue
Transfer to Service Charges
Transfer from Other Receivables

5,781,423
-222,483
141,000

33,158,557

Rentals in the amount of R222 483, which have been previously incorrectly accrued for.

Rental of Facilities in the amount of R222 483 was moved to Service Charges.

Other Revenue in the amount of R5 781 423 reclassified as Rental of Facilities and Equipment in terms of MSCOA.

40.1.4 Other Revenue

Income as per Audited financial statements (as previously reported)

162,724,338

Transfer to Service Charges
Transfer to Rental of Facilities and Equipment
Transfer from Other Receivables

-29,727,812
-5,781,423
1,974,006

129,189,109

Other Revenue in the amount of R29 727 812, was moved to Service Charges in accordance with MSCOA.

Other Revenue in the amount of R1 974 006, which have not been previously accrued for.

Other Revenue in the amount of R5 781 423 reclassified as Rental of Facilities and Equipment in terms of MSCOA.

40.1.5 Fines, Penalties and Forfeits

Income as per Audited financial statements (as previously reported)

215,022,098

Transfer to Trade and Other Payables
Transfer from Other Receivables

-468,320
1,473,084

216,026,862

Revenue in the amount of R1 004 764, which have not been previously accrued for.

40.1.6 Property Rates

Income as per Audited financial statements (as previously reported)

2,128,248,924

Transfer from Trade Receivables

(940,484)

2,127,308,440

Rates adjustment, which have not been previously accrued for.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)

Restated 2019
R

40.2.1 Employee Related Costs

Expense as per Audited financial statements (as previously reported)

Transfer to Other Expenditure	3,217,035,778
Transfer to Other Receivables	(3,693,056)
	(196,837)
	3,213,145,885

Expenses in the amount of R196 837, which have not been previously accrued for.

Employee Related Costs in the amount of R3 693 056 reclassified as Other Expenditure in terms of MSCOA.

40.2.2 Contracted Services

Expense as per Audited financial statements (as previously reported)

Transfer to Trade and Other Payables	1,034,948,172
Transfer to Other Expenditure	8,256,583
Transfer to Other Receivables	(38,013,905)
	(84)
	1,005,190,766

Expenses in the amount of R649 970 which have not been previously accrued for.

Contracted Services in the amount of R38 013 905 reclassified as Other Expenditure in terms of MSCOA.

40.2.3 Other Expenditure

Expense as per Audited financial statements (as previously reported)

Transfer from Employee Related Costs	479,919,850
Transfer from Other Receivables	3,693,056
Transfer from Contracted Services	1,008,062
Transfer to Transfers and Subsidies	38,013,905
Transfer to Trade and Other Payables	-73,618,706
	-486,962
	448,529,205

Expenses in the amount of R48 118 which have not been previously accrued for or have been corrected.

Employee Related Costs in the amount of R3 693 056 reclassified as Other Expenditure in terms of MSCOA.

Contracted Services in the amount of R38 013 905 reclassified as Other Expenditure in terms of MSCOA.

Other Expenditure in the amount of R73 618 706 reclassified as Transfers and Subsidies in terms of MSCOA.

40.2.4 Other Materials

Expense as per Audited financial statements (as previously reported)

Transfer to Trade and Other Payables	158,480,993
	568,648
	159,049,641

Expenses in the amount of R272 938 which have not been previously accrued for or have been corrected.

40.2.5 Transfers and Subsidies

Expense as per Audited financial statements (as previously reported)

Transfer to Trade and Other Payables	87,498,330
Transfer from Other Expenditure	1,664,093
	73,618,706
	162,781,129

Expenses in the amount of R13 821 which have not been previously accrued for or have been corrected.

Other Expenditure in the amount of R73 618 706 reclassified as Transfers and Subsidies in terms of MSCOA.

Statement of Financial Position

40.3 Total Accumulated Funds

Closing Balance as per audited financial statements (as previously reported)

Increase in Surplus (Refer to Note 40.1.1)

	17,234,538,141
	(5,203,819)
	(21,977,606)
Transfer from Heritage Assets	452,105
Transfer to VAT	(57,123)
Transfer to Other Receivables	4,439,640
Transfer from Trade Receivables - Non-exchange transactions	(2,408,645)
Transfer to Trade and Other Payables	(24,403,583)

Restated Closing Balance

17,207,356,716

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)

Restated 2019
R

40.3.1 Trade and Other Payables	
Balance as per Audited financial statements (as previously reported)	2,211,705,792
Transfer from Contracted Services	8,256,583
Transfer from Other Expenditure	(486,962)
Transfer from Other Materials	568,648
Transfer from Fines, Penalties and Forfeits	468,320
Transfer to Property, plant and equipment	2,109,239
Transfer to VAT	(5,952,323)
Transfer to Cash and Bank	777,708
Transfer from Transfers and Subsidies	1,664,093
Transfer to Accumulated Surplus	24,403,583
	<u>2,243,514,681</u>

Expenses in the amount of R15 231 513 (net movement), Relates to various expenses not previously accrued for or corrections made.

40.3.2 Other Receivables	
Balance as per Audited financial statements (as previously reported)	390,212,812
Transfer from Service Charges	3,430,398
Transfer to VAT	209,658
Transfer to Accumulated Surplus	4,439,640
Transfer to Contracted Services	84
Transfer to Employee Related Costs	196,837
Transfer to Fines, Penalties and Forfeits	1,473,084
Transfer to Other Expenditure	-1,008,062
Transfer to Other Revenue	1,974,006
Transfer to Rental of Facilities and Equipment	141,000
	<u>401,069,457</u>

Income in the amount of R10 856 645, relates to various income (net movement), not previously accrued for or corrections made.

40.3.3 VAT	
Balance as per Audited financial statements (as previously reported)	59,257,840
Transfer from Accumulated Surplus	57,123
Transfer to Trade and Other Payables	5,952,323
Transfer from Other Receivables	209,658
	<u>65,476,944</u>

Vat in the amount of R7 650 269 (net movement), relates to various income and expenses not previously accrued for.

40.3.4 Trade Receivables - Non-exchange Transactions	
Balance as per Audited financial statements (as previously reported)	250,886,112
Transfer to Accumulated Surplus	(2,408,645)
Transfer from Property Rates	(940,484)
	<u>247,536,983</u>

Property Rates have been transferred from Other Receivables to Trade Receivables in terms of MSCOA

40.3.5 Bank Balances and Cash	
Balance as per Audited financial statements (as previously reported)	188,660,800
Transfer to Trade and Other Payables	777,708
Transfer from Other Receivables	162,500
	<u>189,601,008</u>

Reconciling items on the Bank Balances and Cash now being corrected.

A Grant receipt in the amount of R162 500 incorrectly taken into account previously.

40.3.6 Transfers and Subsidies	
Balance as per Audited financial statements (as previously reported)	295,099,016
Transfer to Bank Balances and Cash	162,500
	<u>295,261,516</u>

A Grant receipt in the amount of R162 500 incorrectly taken into account previously.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)

Restated 2019
R

40.3.7 Property, plant and equipment

Balance as per Audited financial statements (as previously reported)
 Transfer to Trade and Other Payables

17,360,950,108

2,109,239

17,363,059,347

Assets in the amount of R1 615 303, which was incorrectly accrued for.

40.3.8 Heritage Assets

Balance as per Audited financial statements (as previously reported)
 Transfer to Accumulated Surplus

216,705,687

452,105

217,157,792

Heritage Assets in the amount of R452 105, not previously taken into account.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

41 CHANGE IN ACCOUNTING ESTIMATE
PROPERTY, PLANT AND EQUIPMENT
2020 Financial year

A conditional assessment is done annually on property, plant and equipment, which indicates whether the useful lives of the assets have increased or decreased and as a result of this condition assessment some assets' useful lives have either increased or decreased and therefore the depreciation charge has now changed, which is included in the total depreciation/ amortisation.

In assessing whether there is any indication that the expected useful life of an asset has changed, the following indications have been considered - whether:

- (a) The composition of the asset changed during the reporting period, i.e. the significant components of the asset changed
- (b) The use of the asset has changed, because of the following:
 - (i) The municipality has changed the manner in which the asset is used
 - (ii) The municipality has changed the utilisation rate of the asset
 - (iii) The municipality has made a decision to dispose of the asset in a future reporting period(s) such that this decision changes the expected period over which the asset will be used
 - (iv) Technological, environmental, commercial or other changes that occurred during the reporting period that have, or will, change the use of the asset
 - (v) Legal or similar limits placed on the use of the asset have changed
 - (vi) The asset was idle or retired from use during the reporting period
- (c) The asset is approaching the end of its previously expected useful life
- (d) Planned repairs and maintenance on, or refurbishments of, the asset and/or its significant components either being undertaken or delayed
- (e) Environmental factors, e.g. increased rainfall or humidity, adverse changes in temperatures or increased exposure to pollution
- (f) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period
- (g) The asset is assessed as being impaired in accordance with GRAP 21 and GRAP 26.

42 CONSTRUCTION CONTRACTS

Amount of revenue recognised - Operating	580,372	13,727,757
Amount of revenue recognised - Capital	205,798,002	205,798,002

Method used to determine the Revenue

Revenue is determined on a claims basis where the Municipality submit claims to the ECDHS for expenditure incurred.

Method used to determine the stage of completion of contracts in progress:

Subsidies are approved per site for a set amount, which is determined by ECDHS. Projects are implemented per stage and the contractors are also paid per stage.

Aggregate amount of Costs incurred and recognised surpluses (less recognised deficits) to date for houses not yet transferred

1,197,364,589 1,224,014,067

Amount of advances received

1,200,000 1,200,000

Amount of retentions

Refer Note 7 - Included with Trade and Other Payables

Gross amounts due from customers for contract work

210,320,725 213,744,952

Gross amounts due to customers for contract work

Refer Note 7 - Included with Trade and Other Payables

43 OPERATING LEASE COMMITMENTS

Municipality as Lessee

2020 R Restated 2019 R

The Municipality normally enters into a lease agreement over 3 years for most of the Operating leases.

Some leases have escalations ranging between 7 and 10% and an option to renew.

Some leases have restrictions, such as not to sub-let or not to sub-let without consent.

The Municipality has no sale and leaseback transactions.

Future minimum lease payments under non-cancellable operating leases:

Buildings

3,018,114 2,835,693

Payable within one year

1,699,754 2,003,024

Payable within two to five years

1,318,360 832,669

Photocopier, fax machines and other equipment

7,986,150 18,766,819

Payable within one year

6,092,015 11,329,290

Payable within two to five years

1,894,135 7,437,529

11,004,264 21,602,512

Municipality as Lessor

At reporting date, the Municipality has contracted with tenants for the following minimum lease payments over a period of 1 to 99 years:

No contingent rentals are charged.

Land

11,600,453 12,080,465

Receivable within one year

480,012 480,012

Receivable within two to five years

1,920,048 1,920,048

Receivable after 5 years

9,200,393 9,680,405

Buildings

42,810,565 49,694,635

Receivable within one year

5,897,637 6,884,069

Receivable within two to five years

12,607,929 18,016,585

Receivable after 5 years

24,304,999 24,793,981

54,411,018 61,775,100

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	Restated 2019 R
44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
Incident / Disciplinary steps / Criminal Proceedings		
44.1 Unauthorised Expenditure		
Opening Balance	262,809,861	262,546,156
Incurred - Current year - Relating to current year	35,842,365	235,442,733
Incurred - Current year - Relating to prior year	0	24,995,239
Written off by Council	(24,995,239)	(260,174,267)
Recoveries - Current year	0	0
	273,656,987	262,809,861
44.1.1 Actual expenditure in excess of approved budget votes		
The total actual expenditure, including non-cash flow items amounted to R11 475 729 037 , compared to the approved adjustments budget of R13 159 554 337 . The actual expenditure was thus R1 683 825 300 below the approved adjustments budget and does not constitute unauthorised expenditure.	35,842,365	235,442,733
The total actual expenditure per budget vote exceeded the approved adjustments budget for certain Directorates by R45 406 146 which relates to non-cash items.		
44.1.2 Over-expenditure relating to contract security resulted in unauthorised expenditure.	0	24,995,239
Total	35,842,365	260,437,972
Written off by Council	(24,995,239)	(260,174,267)
44.2 Irregular Expenditure		
Opening Balance - previously stated	16,370,536,575	14,467,168,508
Restatement	0	2,459,117
Restated Opening Balance	16,370,536,575	14,469,627,625
Incurred - Current year - Relating to current year (awards)	26,940,426	158,584,251
Incurred - Current year - Relating to prior year (awards / other)	1,278,593,138	1,924,581,900
Written off by Council - Other	(7,162,838)	(182,257,201)
	17,668,907,301	16,370,536,575
1 Breach of the Supply Chain Management policy		
A breach occurred as certain contracts were awarded to persons in the service of the state where he/she may have a significant influence over the financial or operating policies of the entity.	223,661,335	253,523,522
2 Breach of the Supply Chain Management policy		
A breach occurred as certain contracts were awarded to persons in the service of the state (certain officials and family of officials) where he/she may have a significant influence over the financial or operating policies of the entity.	59,615,623	46,154,124
3 SCM Deviations		
Some of the deviations relating to the tender process appear to be made where improper planning was conducted and expenditure were incurred before the deviation was approved and therefore considered to be irregular		
- Relating to current year	9,868,431	22,153,984
- Relating to prior year	313,600,218	377,218,760
4 Breach of the Supply Chain Management policy		
Payments made which was in contravention of the scm policy which was not previously disclosed.	17,071,995	34,968,878

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	Restated 2019 R
44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)		

44.2 Irregular Expenditure (Continued)

5 Irregular Expenditure review by Internal Audit

NB: This section of the Irregular Expenditure represents the "historic" irregular expenditure incurred as reported by Internal Audit Unit in terms of the two reports that were issued in 2014/15 and 2015/16 relating to a number of financial years dating back from around 2003. The irregularity in these instances continued to 2016/17 financial year as some of the tender / SCM Files were still in use (or work proceeding). This figure therefore does not relate to any irregularity that may have occurred during the year under review (i.e. 2016/17). Important to note is the fact that there are reports that have been taken to Council structures in order to deal with these matters and the first reports are to be discussed at MPAC Sub Committee on the 31 August 2017.

Non-compliance with regards to the Formal Bid and Deviation process

Incurred - Current year - Relating to current year Tenders		75,481,030
Incurred - Current year - Relating to prior year Tenders	681,715,962	1,212,716,616
Irregular Expenditure - Informal Tenders	0	60,949,237

Total	1,305,533,564	2,083,166,151
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Total amount written off by Council in respect of ALL cases	(7,162,838)	(182,257,201)
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6 Information not available (Limitation of Scope)

Opening Balance - previously stated	3,057,877,747	2,593,906,602
Restatement	0	0
Restate Opening Balance	3,057,877,747	2,593,906,602
Incurred - Current year - Relating to prior year Tenders	281,022,266	463,971,145
Written off by Council - Other	0	0
	3,338,900,013	3,057,877,747

Total amount written off by Council in respect of ALL cases	0	0
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This section of the note has not been included in the Irregular expense calculation, because it is impracticable in terms of GRAP 1 to determine whether the tender files are indeed Irregular or Regular as described below:

Section 44.2.14 of this disclosure note represents expenditure incurred on SCM / Tender files that were declared by Internal Audit Unit in around 2014/15 and 2015/16 to be a LIMITATION OF SCOPE as the AG could not be provided with the said files. The expenditure referred to dates back to around 2003 financial year. As the expenditure on the affected SCM / Tender Files continued to the 2016/17 financial year the actuals have been extended to include the reported financial year. Detailed reports dealing with these files are to be submitted to Council structures starting from the MPAC Sub Committee dated 31 August 2017, whereafter the note will be amended only after Council approves the recommendation/s on how to deal with these matters. This effectively means that this expenditure is historic or relates to historic financial years.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	Restated 2019 R
44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)		
44.3 Fruitless and Wasteful Expenditure		
Opening Balance	574,980,540	655,607,136
Restatement - Incurred	0	0
Restated Opening Balance	574,980,540	655,607,136
Incurred - Current year - Relating to current year	834,399	11,447,663
Incurred - Current year - Relating to prior year	0	4,182,726
Written off by Council	(1,129,631)	(96,256,985)
	574,685,308	574,980,540
1 Suspended Officials		
Various officials have been on suspension for more than 3 months. In terms of the South African Local Government Bargaining Council; disciplinary procedure and collective agreement, the period of suspension shall not exceed a period of 3 months. Matter to be referred to Labour Relations.	834,399	6,482,808
2 Additional expenditure incurred by the Directorate when a tender was in place which resulted in Fruitless and Wasteful expenditure.	0	4,182,726
3 Fruitless and Wasteful expenditure incurred by certain Directorates	0	4,964,855
Total	834,399	15,630,389
Total amount written off by Council for in respect of ALL cases	(1,129,631)	(96,256,985)
45(a) CONTINGENT LIABILITIES		
These are ongoing matters and the Municipality is unable to determine the exact timing and amount of the outcome of these matters.		
Should any liability arise as a result of these claims, the Municipality will attempt to recover any amounts paid over with respect to these claims (if applicable and able to do so).		
Possible Contingent liabilities:		
1 Various claims arising from alleged negligence by the Municipality due to damages sustained by the Plaintiffs.	147,329,993	131,266,366
2 Various claims due to municipal administrative matters that are under dispute or investigation.	23,943,801	37,474,066
3 Various claims by current or terminated employees due to alleged unfair labour practices.	9,302,791	10,064,384
4 Various claims due to supply chain related issues or creditor payment related matters.	316,245,061	258,411,772
	496,821,646	437,216,588
45(b) PROVISION FOR LITIGATION AND CLAIMS		
Detail of Provision raised in Note 5.2		
1 Various claims arising from alleged negligence by the Municipality due to damages sustained by the Plaintiffs.	3,275,000	82,002
2 Various claims due to municipal administrative matters that are under dispute or investigation.	0	0
3 Various claims by current or terminated employees due to alleged unfair labour practices.	0	0
4 Various claims due to supply chain related issues or creditor payment related matters.	0	0
TOTAL PROVISION REFER NOTE 5.2	3,275,000	82,002
45(c) CONTINGENT ASSETS		
These are ongoing matters and the Municipality is unable to determine the exact timing and amount of the outcome of these matters.		
Possible Contingent assets		
1 Various claims due to supply chain related issues or creditor payment related matters.	172,658,302	157,308,302
	172,658,302	157,308,302
46 EVENTS AFTER REPORTING DATE		
46.1 WITHHOLDING OF GRANT FUNDING BY NATIONAL TREASURY		
On 29 June and 15 July 2020, National Treasury addressed correspondence to the Municipality indicating that grant funding would be withheld in view of certain non-compliance matters. The Municipality had further engagements with National Treasury on 21 October 2020, regarding the withholding of grants in the amount of R1.6 billion, in relation to the 2019/20 and 2020/21 financial years. Emanating from this meeting, National Treasury addressed correspondence to the Municipality on 23 October 2020, indicating that the Municipality must adopt an Action Plan, to implement the NT conditions for the release of the outstanding grants as communicated in the NT letter of 24 February 2020. The letter of 23 October 2020, also indicated that the Interim Executive Mayor, is required to provide a comprehensive response to the Deputy Finance Minister's correspondence of 15 July 2020. The Action Plan, was adopted by Council on 28 October 2020.		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

47 Information on Post Retirement Benefits

RETIREMENT BENEFIT INFORMATION

The Nelson Mandela Bay Municipality makes provision for post-retirement benefits to employees who belong to different pension schemes. These funds are governed by the Pension Funds Act, and include both defined benefit and defined contribution schemes. Contribution of R326.013 million (2019: R302.028 million) to the defined benefit and defined contribution structures are expensed as incurred during the financial year ended 30 June 2020.

DEFINED CONTRIBUTION SCHEMES

CONSOLIDATED RETIREMENT FUND

The contribution rate paid by the members (9%) and the NMBM (18%) is sufficient to fund the benefits accruing from the fund in future. The actuary certified the fund as being in a sound financial position as at 30 June 2019. The funding level of the Share Account is 100.3%, the Preservation fund is 100% and the Pensions Account reflected a funding level of 124.9% as at 30 June 2019.

SALA CONTRIBUTION FUND

The SALA Contribution Fund operates as a defined contribution scheme. The contribution rate paid by the members (7.92%) and their councils (19.18%) is sufficient to fund the benefits accruing from the Fund in the future. The fund is 100% funded.

SOUTH AFRICAN MUNICIPAL WORKERS UNION (SAMWU) NATIONAL PROVIDENT FUND

The SAMWU National Provident Fund is a defined contribution scheme. The last actuarial valuation of the Fund was performed at 30 June 2008, and certified it as being in a financially sound position with the funding level remaining at 100% since the previous valuation date, 30 June 2005. The 30 June 2011 report is not available yet and is expected to be available towards the end of 2014. The contribution rate paid by the members (7.5%) and their councils (18%) is sufficient to fund the benefits accruing from the Fund in the future.

DEFINED BENEFIT SCHEMES

CAPE JOINT PENSION FUND

The defined benefit scheme is a multi-employer plan, and the contribution rate payable is 27% (9% by the members and 18% by their councils). The fund was certified by the actuary as being in a sound financial condition as at 30 June 2019 and is funded at 100.3%.

SALA PENSION FUND

The defined benefit scheme is a multi-employer plan, and the contribution rate payable is **26.67% (7.92% by the members and 19.18% by their councils)**. This defined benefit plan, is financially sound, and was 100% funded as at 30 June 2013.

The Nelson Mandela Bay Municipality has used GRAP 25 as guidance for treatment of multi-employer plans as sufficient information was not available to use defined-benefit accounting. The Municipality has therefore accounted for the Cape Joint Pension Fund and the SALA Pension Fund as defined contribution plans. It is impracticable to disclose as a defined benefit plan because the funds do not determine a separate actuarial valuation per Municipality but do it as a whole for all the Municipalities together.

EX GRATIA PENSIONS

General Description

The Ex-gratia pension benefits scheme operates as pensions that are being paid from the Council's revenue, that is, they are not funded or paid from one of the Employer's formalised pension arrangements.

Employees who were under the age of 55 when appointed and who have at least ten years' service at retirement, will receive an annual ex-gratia pension calculated as:

Annual salary * 1/47 * Years of non-pensionable service

An employee's widow will get 50% of the accrued (full service) pension on the employees death. This is subject to a maximum of the Government Old Age Pension and will cease at age 60.

Pensions increase in line with those granted by the Cape Joint Pension Fund and increases at 50% of CPI inflation.

Detailed Results

An actuarial valuation of the Municipality's unfunded liability in respect of revenue pension benefits to eligible employees and retirees of the Nelson Mandela Bay Municipality, was performed as at 30 June 2020. The unfunded liability in respect of past service has been valued at R53.528 million, of which R49.585 million relates to the non-current portion.

Past and Future Changes in the Accrued Liability

The table below shows the development of the accrued liability over the current period, and projects the Municipality's Unfunded Accrued Liability and periodic costs over the two-year period following the Valuation Date.

Past year and future projected liability

	Year ending 30/06/2018	Year ending 30/06/2019	Year ending 30/06/2020	Year ending 30/06/2021
Opening Accrued Liability	46,787,000	58,336,000	56,871,000	53,527,455
Current service cost	0	0	0	0
Interest cost	3,820,000	5,294,000	4,938,563	5,178,907
Benefits paid	-3,767,000	-3,662,000	-3,709,740	-3,942,544
Total Annual Expense	53,000	1,632,000	1,228,823	1,236,363
Actuarial Loss / (Gain)	11,496,000	-3,097,000	-4,572,368	
Closing Accrued Liability	58,336,000	56,871,000	53,527,455	54,763,818

47 Information on Post Retirement Benefits (Continued)

Statement of Financial Position Figures

Unfunded Accrued Liability

	Year ending 30/06/2019	Year ending 30/06/2020
Balance Sheet		
Fair Value of Plan Assets	0	0
Accrued Liability	56,871,490	53,527,845
Unfunded Accrued Liability	56,871,490	53,527,845
Unrecognised Transitional Liability	0	0
Unrecognised Actuarial Gains/(Losses)	0	0
Unrecognised Past Service Cost	0	0
Miscellaneous Item	0	0
Closing Balance	56,871,490	53,527,845

Reconciling and Projecting the Unfunded Accrued Liability

	Year ending 30/06/2019	Year ending 30/06/2020
Unfunded Accrued Liability		
Opening Balance	58,336,490	56,871,490
Current Service Cost	0	0
Interest Cost	5,295,000	4,938,563
Expected Return on Plan Assets	0	0
Actuarial (Gain) /Loss	-3,098,000	-4,572,368
Past Service Cost		
Effect of Curtailment / Settlement		
Expected Employer Benefit Payments	-3,662,000	-3,709,740
Employer Prefunding Contributions	0	0
Closing Balance	56,871,490	53,527,845
Projected Accrued Liability	59,969,490	58,100,313

Amounts to be recognised in profit or loss for the year (period)

Category	Year ending 30/06/2019	Year ending 30/06/2020
Current Service Cost (In-Service members only)	0	0
Interest Cost	5,295,000	4,938,563
Actuarial (Gain)/Loss	-3,097,000	-4,572,368
Total employee benefits expense	2,198,000	366,195

KEY ASSUMPTIONS

Summary of economic assumptions that were used in the valuation:

Assumption	Current Valuation 30 June 2019	Current Valuation 30 June 2020
Discount rate	8.97%	10.04%
Inflation Risk Premium	0.50%	
Inflation Assumption	5.56%	5.32%
Salary Increase Rate	6.56%	6.32%
Pension Increase Rate	2.78%	2.66%
Net Effective Discount Rate (Pre-Retirement)	6.02%	7.18%

Discount Rate Assumption:

The discount rate has been set by taking the average yield from the Zero-Coupon SA Government bond curve, with a duration of 9 years, as was done for the previous valuation. The recommended discount rate as at 30 June 2020 is 10.04% per annum. The source is the Johannesburg Stock Exchange through the I-net data service. The discount rate was set at 8.97% p.a. for the previous valuation.

Future Inflation Assumption:

The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries and hence ex-gratia benefits, will increase.

The market's pricing of inflation was estimated by comparing the yields on nominal bonds to the yields on real bonds on the yield curve of bonds, with a duration of 9 years as was done for the previous valuation. The resulting inflation assumption is therefore 5.32% per annum as at 30 June 2020. The source is the Johannesburg Stock Exchange through I-net BFA data service. The future inflation assumption was set at 5.56% for the previous valuation.

Future Salary Inflation Assumption:

The general inflation assumption is used to establish the base rate for determining the rate at which the future salaries and hence ex-gratia benefits will increase.

It has been assumed that salary inflation will exceed general inflation by 1.0% per annum. Therefore, a salary inflation assumption of 6.32% per annum has been used as at 30 June 2020.

The future salary inflation assumption was set at 6.56% per annum for the previous valuation.

47 Information on Post Retirement Benefits (Continued)

Pension Increase Assumption:

Pension increases are in line with those granted by the LA Retirement Fund (previously known as the Cape Joint Pension Fund). Based on recent experience, pension increases are assumed to be set at 50% of the expected inflation assumption. This is consistent with what was done for the previous valuation.

The expected pension increase rate is, therefore, 2.66% per annum as at 30 June 2020.

The expected pension increase rate was set at 2.70% per annum for the previous valuation.

Post Retirement net discount rate:

Net discount rate is the gap between the discount rate and the expected increase in salary inflation.

The net discount rate for ex-gratia pension benefits as at 30 June 2020 is assumed to be 7.18% per annum (derived from the discount rate of 10.04% and the expected increase rate of 2.66%).

The net discount rate was set at 6.02% per annum for the previous valuation.

Demographic Valuation Assumptions:

Actuarial valuation assumptions are required to be made about demographic variables (such as, employee turnover and mortality) that will influence the cost of the benefit, discounting that benefit using the Projected Unit Credit Method.

The demographic assumptions used in the previous valuation have been retained and these assumptions are as follows:

Pre-retirement Mortality:

It has been assumed that the pre-retirement mortality will be in line with the SA85-90 table, which is a table reflecting mortality experience in South Africa. This assumption was used for the valuation of in-service members.

This assumption is consistent with that of the previous valuation.

Post-retirement Mortality:

The post-retirement mortality assumption is based on the PA (90) ultimate table. This assumption was used for the mortality of continuation members (retired employees).

This assumption is consistent with that of the previous valuation.

Assumed Retirement Age:

The normal retirement age is 65 for all male employees and is 60 for all female employees.

The retirement age of 63 for all male employees and retirement age of 58 for all female employees has been assumed, which allows for some early retirement and is consistent with assumptions used for valuing other Municipality liabilities.

Family Profile:

It is assumed that 90% of in-service members will be married at retirement.

It has been further assumed that the female spouse will be 3 years younger than the male spouse. For continuation members the actual spouses' dates of birth were used, where provided.

The data provided in respect of the retired members indicated the marital status of the members. This actual adult dependant status was therefore used.

Withdrawal Rates:

The table below reflects the rates of withdrawal used to value the liabilities for both males and females:

Withdrawal rates

Age	Withdrawal Rate Males	Withdrawal Rate Females
20	24%	18%
25	18%	12%
30	15%	10%
35	10%	8%
40	6%	6%
45	4%	4%
50	1%	1%
60+	0%	0%

Developments since the previous valuation:

There has been no changes to the ex-gratia pension benefit since the previous valuation, therefore, it is assumed the level of benefits will remain unchanged with the exception of allowing for inflationary adjustments.

Plan Assets:

Management has indicated that there are no long-term assets set aside off-balance sheet in respect of the Municipality's post-employment ex-gratia pensions.

Sensitivity Analysis

The results of the valuation are dependent on the underlying assumptions made and the actual cost of the long service benefit will, however, depend on the actual experience.

The tables below illustrate the likely impact certain changes to the underlying assumptions would have on the results:

Liability: the aggregate of the current service cost and interest cost components of the net periodic costs; and

Cost/(Saving): the accumulated obligation for the ex-gratia benefit obligation.

47 Information on Post Retirement Benefits (Continued)

Sensitivities as at 30 June 2020

Discount Rate	2020 Assumption	1% Decrease in gap	1% Increase in
	10.04%	9.04%	11.04%
	R'000	R'000	R'000
Total Liability	53,528	58,768	49,048
Cost / (Saving)		5,240	-4,480

Retirement	2020 Assumptions	+1 Year	-1 Year
	Males 63; Females 58	Males 64; Females 59	Males 62; Females 57
	R'000	R'000	R'000
Total Liability	53,528	52,219	54,795
Cost / (Saving)		-1,309	1,267

For the purposes of disclosure, all other assumptions are to be held constant.

Sensitivities as at 30 June 2019

Sensitivity	2019 Assumptions	Discount Rate +1%	Discount Rate -1%
	R'000	R'000	R'000
Total Liability	56,871	51,676	63,027
Cost		-5,195	6,156
% Change		-9.1%	10.8%

Sensitivity	2019 Assumptions	Inflation +1%	Inflation -1%
	R'000	R'000	R'000
Total Liability	56,871	59,871	54,367
Cost		3,000	-2,505
% Change		5.3%	-4.4%

For the purposes of disclosure, all other assumptions are to be held constant.

POST-EMPLOYMENT HEALTH CARE BENEFITS

Benefit Structure

Medical Aid Scheme Arrangements:

The Municipality offers employees and continuation members (pensioners) the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical aid scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical aid scheme.

Contribution Rate Structure:

Members contribute according to the tables of contribution rates, which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

Subsidy Arrangements:

The Municipality has agreed to subsidise the medical aid contributions of retired members as follows:

In accordance with Resolution 8 of the SALGBC (SALGA), all existing and new pensioners (employees currently in service) and their dependants will receive a subsidy ranging between 60% and 70% subject to the maximum (CAP) amount of **R4,218.00** (per month, per member) for the period from 1 July 2018 to 30 June 2019. The subsidy for LA Health members is 70%, while members of other schemes only qualify for a 60% subsidy. The maximum (CAP) amount was R3,871.00 in the previous financial year.

The maximum subsidy is expected to increase at 50% of inflation.

Eligible employees should have at least five years of service to qualify for a benefit at retirement.

Valuation Method

The value of the Municipality's accrued liabilities has been determined by using the Projected Unit Credit Method and a set of actuarial assumptions.

Post Employment Medical Aid Liabilities:

The liability in respect of active employees is determined by discounting the projected future benefit payments in respect of these members using assumptions regarding the possible future experience. The liability has been proportioned between past service and future service.

The liability in respect of current pensioners is fully accounted for.

The current service cost is the cost of providing the benefits over the year following the valuation date.

All actuarial gains and losses are recognised immediately and we have not allowed for any disclosure under the corridor method.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

47 Information on Post Retirement Benefits (Continued)

Detailed Results

The projected total liability in respect of post-retirement health care benefits amounts to R1,513,131 million as at 30 June 2020 (2019: R1,394,063 million). Provision for R1,513,131million has been made (non-current R1,427,592 million, current R85,539 million). It is expected that approximately 5.6% of the amount provided will be expensed per annum. This is dependent on the accuracy of the assumptions below.

Past and Future Changes in the Accrued Liability

The table below depicts the development of the accrued liability over the current period, and projects the Municipality's Unfunded Accrued Liability and periodic costs over the next 3 periods following the Valuation Date.

Past year and future projected liability

	Year ending 30/06/2017 R'000	Year ending 30/06/2018 R'000	Year ending 30/06/2019 R'000	Year ending 30/06/2020 R'000	Year ending 30/06/2021 R'000
Opening Accrued Liability	1,332,541	1,360,663	1,220,067	1,394,063	1,233,339
Service cost	44,010	44,099	41,057	41,431	38,950
Interest cost	118,774	131,749	123,856	147,783	173,420
Benefits paid	-52,123	-37,552	-57,886	-61,403	-66,018
Total Annual Expense	110,661	138,296	107,027	127,811	146,352
Actuarial (Gain)/Loss on financial basis	-82,539	-27,985	-77,356	-304,332	
Actuarial (Gain)/Loss on experience		-250,907	144,325	15,797	
Closing Accrued Liability	1,360,663	1,220,067	1,394,063	1,233,339	1,379,691

Amounts to be recognised in profit or loss for the year (period)

Category	Year ending 30/06/2019 R'000	Year ending 30/06/2020 R'000
Service Cost (In-Service members only)	41,057	41,431
Interest Cost	123,856	147,783
Actuarial (Gain)/Loss [2017: Gain on Financial Basis]	-77,356	-304,332
Actuarial (Gain)/Loss [2017: Loss on Experience]	144,325	15,797
Total employee benefits expense	231,882	-99,321

KEY VALUATION ASSUMPTIONS AND DEVELOPMENTS

Summary of economic assumptions that were used in the valuation:

Assumption	Previous Valuation 30 June 2017	Valuation 30 June 2018	Valuation 30 June 2019	Valuation 30 June 2020
Discount rate	9.66% pa	10.22%	10.68%	14.21%
Future Inflation	6.53% pa	7.02%	6.99%	8.96%
Medical Inflation	8.03% pa	8.52%	8.49%	10.46%
Subsidy Inflation	3.27% pa	3.51%	3.50%	4.48%
Post Retirement Interest Rate (Medical Inflation)	1.5% pa	1.56%	2.01%	3.40%

Discount Rate:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date, on Government Bonds. The average nominal yield curve for SA Government bonds with duration between 15 and 20 years have been used as at 30 June 2020. The resultant discount rate was 14.21% for 30 June 2020. The source of the data is the Johannesburg Stock Exchange through I-net BFA data service.

Future Inflation Assumptions:

The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries will increase. The difference between the above nominal and real bonds with duration of between 15 and 20 years has been used. The implied inflation assumption is therefore 8.96% per annum for 30 June 2020.

Future medical Inflation Assumption:

The general inflation assumption is used to estimate the base rate for determining the rate at which the future medical subsidies will increase.

It is assumed that medical cost will outstrip general inflation by about 1.5% per annum, as South Africa has experienced high medical cost inflation in recent years.

The medical cost inflation was therefore set at 10.46% per annum for 30 June 2020.

Net Discount Rate:

The net discount rate is the gap between the values used for the discount rate and the expected increase in salaries. The net discount rate is 3.40% per annum for 30 June 2020, (derived from the discount rate of 14.21% and the expected medical inflation rate of 10.46%).

Demographic Valuation Assumptions:

Pre-Retirement Mortality-

It has been assumed that the pre-retirement mortality will be in line with the SA 85-90 light table, rated down by 3 years for female members, which is atable reflecting mortality experience in South Africa.

Post-Retirement Mortality-

The PA90 ultimate mortality table was used in the valuation for the mortality of Continuation Members.

Withdrawal Rates:

Age	Withdrawal Rate Males	Withdrawal Rate Females
20	24%	16%
30	15%	10%
40	6%	6%
50	2%	2%
55+	0%	0%

Assumed Retirement Age:

The normal retirement age is 65 years. Consistent with the previous years' assumptions, it has been assumed that male employees will retire at age 63 and female employees at age 58, which implicitly allows for the expected rates of early retirement.

Family Profile:

It is assumed that 90% if In-Service Members on a medical arrangement will be married at retirement. Males are assumed to be five years older than their female spouses. Where the data provided in respect of the Continuation Members, indicated that the spouse was married we have used the actual spouses date of birth. Where this was not known, we have assumed that the male spouse was 5 years older than the female spouse. Members have been assumed to have no dependent children after retirement.

Continuation of Membership:

It has been assumed that 100% of In-Service Members will remain on the Municipality's health care arrangement should they stay until retirement. No provision has been made for employees currently not on Municipality-sponsored scheme to join prior to retirement. This is consistent with previous years' assumptions.

It was assumed that employees retiring will remain on the current plan and option at retirement and it was assumed they will remain in the same income category after retirement.

Changes since the previous valuation:

There were no changes to the rules governing payment and eligibility for the medical subsidy since the previous valuation. As far as the assumptions are concerned, the discount rate and general inflation, which are dependent on the market at the time of valuation, are different from the previous valuation.

Plan Assets:

Management has indicated that there are no long-term assets set aside off-balance sheet in respect of the Municipality's post-employment health care liability.

Sensitivity Analysis

GRAP 25 requires disclosure on the effect of an increase of one percentage point and the effect of a decrease of one percentage point, in the assumed medical cost trend rates on:

- i the aggregate of the current service cost and interest cost components of net periodic post-employment medical costs; and
- ii the accumulated post-employment benefit obligation for medical costs.

For the purposes of disclosure all other assumptions are to be held constant.

The results are based on a number of assumptions. The extent to which the actual liability faced by the Municipality in the future differs from these results will depend on the extent to which actual expenditure differs from the assumptions made.

The analysis is based on the following changes:

- (a) A 1% increase/decrease in the net discount rate; and
- (b) A 1-year increase/decrease in the normal retirement age.

30 June 2018 Sensitivities

<u>Medical Inflation</u>	<u>Current Assumption</u> 8.52%	<u>1% Decrease</u> 7.52%	<u>1% Increase</u> 9.52%
Liability (R'000)	1,220,067	1,153,475	1,292,728
Cost / (Saving) (R'000)		-66,592	72,661
<u>Discount Rate</u>	<u>Current Assumption</u> 10.22%	<u>1% Decrease</u> 9.22%	<u>1% Increase</u> 11.22%
Liability (R'000)	1,220,067	1,382,275	1,086,413
Cost / (Saving) (R'000)		162,208	-133,664

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

47 Information on Post Retirement Benefits (Continued)

30 June 2018 Sensitivities

<u>Normal Retirement Age</u>	<u>Current Assumption</u> <u>Males 63, Females</u> <u>58</u>	<u>All Members</u> <u>63</u>	<u>All Members</u> <u>65</u>
Liability (R'000)	1,220,067	1,074,363	920,040
Cost / (Saving) (R'000)		-145,704	-300,027

30 June 2019 Sensitivities

<u>Medical Inflation</u>	<u>Current Assumption</u> <u>8.49%</u>	<u>1% Decrease</u> <u>7.49%</u>	<u>1% Increase</u> <u>9.49%</u>
Liability (R'000)	1,394,063	1,314,083	1,480,749
Cost / (Saving) (R'000)		-79,981	86,685
<u>Discount Rate</u>	<u>Current Assumption</u> <u>10.68%</u>	<u>1% Decrease</u> <u>9.68%</u>	<u>1% Increase</u> <u>11.68%</u>
Liability (R'000)	1,394,063	1,564,091	1,252,135
Cost / (Saving) (R'000)		170,027	-141,929
<u>Normal Retirement Age</u>	<u>Current Assumption</u> <u>Males 63, Females</u> <u>58</u>	<u>All Members</u> <u>63</u>	<u>All Members</u> <u>65</u>
Liability (R'000)	1,394,063	1,245,042	1,092,406
Cost / (Saving) (R'000)		-149,021	-301,658

LONG SERVICE AWARD AND LONG SERVICE BONUS

Description of the Long Service Award Arrangement

Long Service Bonus:

As per clause 9.1.4 of the Long Service Bonus Collective Agreement, all employees will receive a long service bonus that will be phased-in over a period of four financial years, commencing on 01

July 2016, as follows:

All qualifying employees who attain continuous service years shall be paid a monthly long service bonus that is pensionable.

The long service bonus allowance shall be paid on the thirteenth cheque.

The percentage criteria calculated on basic salary will be phased-in as follows:

Phase-in year two: 01 July 2017 to 30 June 2018

<u>Completed Service (years)</u>	<u>Uitenhage</u>	<u>Port Elizabeth</u>	<u>Despatch</u>	<u>Western District Council</u>		<u>SA Local Government Bargaining Council</u>
				<u>Pre 01 July 1987</u>	<u>Post 01 July 1987</u>	
5						4.0%
10						7.0%
12 to 17	5.0%	4.0%	4.0%	4.0%	4.0%	4.0%
18 to 23	10.0%	8.5%	8.5%	8.5%	8.5%	8.5%
24 and above	15.0%	13.0%	13.0%	13.0%	13.0%	13.0%

Phase-in year three: 01 July 2018 to 30 June 2019

<u>Completed Service (years)</u>	<u>Uitenhage</u>	<u>Port Elizabeth</u>	<u>Despatch</u>	<u>Western District Council</u>		<u>SA Local Government Bargaining Council</u>
				<u>Pre 01 July 1987</u>	<u>Post 01 July 1987</u>	
5						4.0%
10						7.0%
12 to 17	5.0%	4.5%	4.5%	4.5%	4.5%	4.5%
18 to 23	10.0%	9.0%	9.0%	9.0%	9.0%	9.0%
24 and above	15.0%	14.0%	14.0%	14.0%	14.0%	14.0%

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020****47 Information on Post Retirement Benefits (Continued)**

Phase-in year Four: 01 July 2019 to 30 June 2020

Completed Service (years)	Uitenhage	Port Elizabeth	Despatch	Western District Council		SA Local Government Bargaining Council
				Pre 01 July 1987	Post 01 July 1987	
5						4.0%
10						7.0%
12 to 17	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
18 to 23	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
24 and above	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%

Long Service Awards:

In addition to the above, all employees will receive a further cash award of R2,500 on completion of 25 years continuous service.

Reconciliation of opening and closing accrued liability values**Past year and future projected liability**

	Year ending 30/06/2017	Year ending 30/06/2018	Year ending 30/06/2019	Year ending 30/06/2020	Year ending 30/06/2021
Opening Accrued Liability	135,956,781	726,184,717	670,932,000	748,844,000	695,121,295
Current service cost	12,314,334	45,222,000	47,611,000	53,525,765	43,223,216
Interest cost	9,947,246	55,882,000	56,726,000	57,876,534	53,483,673
Expected benefit vestings	-19,343,094	-81,727,000	-94,425,000	-106,429,450	-100,231,352
Total Annual Expense	2,918,486	19,377,000	9,912,000	4,972,849	-3,524,463
Past Service Cost	577,822,395			-51,745,605	
Actuarial Loss / (Gain)	9,487,055	-74,629,717	68,000,000	-6,949,949	
Accrued Liability	726,184,717	670,932,000	748,844,000	695,121,295	691,596,832

Key Assumptions**Key Financial Assumptions**

The assumptions used are based on statistics and market data as at 30 June 2018 and 2019. The following assumptions have been used and are consistent with the requirements of GRAP 25.

Assumption	Previous Valuation 30 June 2017	Valuation 30 June 2018	Valuation 30 June 2019
Discount Rate	7.89%	8.75%	8.01%
Future Inflation	4.89%	5.86%	4.82%
Salary Inflation	5.85%	6.86%	5.82%
Net Discount Rate	1.92%	1.77%	2.07%

Discount Rate Assumption:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date, on Government bonds. The cash flow weighted duration of liabilities is approximately 6.0 years. The nominal yield curve for SA Government bonds with a duration of 6.0 years has therefore been used, as at 30 June 2018 and 2019. The resultant discount rate was 8.75% and 8.01%, respectively. The source of the data is the Johannesburg Stock Exchange through the I-net BFA data service.

Future Inflation Assumption:

The general inflation assumption is used to estimate the base rate for determining the rate at which the future subsidies will increase. The market pricing of inflation has been estimated by comparing the yields on index linked Government bonds (at duration of 6.0 years). The implied inflation assumption is, therefore, 5.86% and 4.82% per annum for future inflation for 2018 and 2019, respectively. The source of the data is the Johannesburg Stock Exchange through Inept BFA data service.

Future Salary Inflation:

The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries will increase.

It has been assumed that salary inflation will exceed general inflation by 1.0% per annum. Therefore, a salary inflation is assumed to be 6.86% and 5.82% per annum for 2018 and 2019, respectively.

The promotional salary increase is assumed to be as follows:

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

47 Information on Post Retirement Benefits (Continued)

Age	Merit Increase
20-24	5%
25-29	4%

30-34	3%
35-39	2%
40-44	1%
45+	0%

Net Discount Rate:

The net discount rate is 1.77% and 2.07% per annum for 2018 and 2019, respectively (derived from a discount rate of 8.75% and the expected salary inflation rate of 6.86% for 2018 and for 2019, it was derived from a discount rate of 8.01% and the expected salary inflation rate of 5.82%).

Demographic Valuation Assumptions

The demographic assumptions used in the previous year's valuation have been retained and they are as follows:

Pre-Retirement Mortality:

It is assumed that pre-retirement mortality will be in line with the SA85-90 light table, adjusted down for female lives, which is a table reflecting mortality experience in South Africa.

Withdrawal Rates:

Withdrawal rates are provided for, as follows:

Age	Females	Males
20	24%	16%
30	15%	10%
40	6%	6%
50	2%	2%
55+	0%	0%

Assumed Retirement Age:

The normal retirement age is 65 years. It has been assumed that male employees will retire at age 63 and female employees will retire at age 58, which implicitly allows for the expected rates of early retirement.

Developments since the previous valuation

There have been no changes to the rules governing payment and eligibility for the long service awards, since the previous valuation.

Sensitivity Analysis

The tables below illustrate the likely impact certain changes to the underlying assumptions would have on the results:

LIABILITY: the aggregate of the current service cost and interest cost components of the periodic costs: and
COST/(SAVING): the accumulated obligation for long service awards.

30 June 2018 Sensitivities

Discount Rate	2018 Assumptions 8.75%	1% Decrease 7.75%	1% Increase 9.75%
Liability R'000	R670 932	R713 498	R632 663
Cost/(Saving) R'000		R42 566	(R38 269)
Retirement	2018 Assumption Retire at average	Retire at average Age -2	Retire at average Age +2
Liability R'000	R670 932	R555 444	R787 468
Cost/(Saving) R'000		(R115 488)	R116 536

30 June 2019 Sensitivities

Discount Rate	2018 Assumptions 8.01%	1% Decrease 7.01%	1% Increase 9.01%
Liability R'000			
Cost/(Saving) R'000			
Retirement	2018 Assumption Retire at average	Retire at average Age -2	Retire at average Age +2
Liability R'000	R748 844	R617 410	R881 639
Cost/(Saving) R'000		(R131 434)	R132 795

GRATUITY BENEFITS**Benefit Structure**

Employees who commenced employment prior to 01 September 1988 are eligible for Standard or Enhanced Gratuity Pensions, as follows:

Employees that were employed prior to the introduction of the PEM Pension Benefit Fund and who subsequently joined the Fund are eligible to be paid a Standard Gratuity, provided they have at least 10 years of service when they retire.

Employees that were employed prior to the introduction of the PEM Pension Benefit Fund and who chose not to join the Fund are eligible to be paid an Enhanced Gratuity for their years of service that they were not members of the Fund.

When an employee eligible for a Gratuity Pension dies in-service, half of the Gratuity Pension (including the monetary enhancement) as calculated at date of death, is paid.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

47 Information on Post Retirement Benefits (Continued)**Financial Valuation Assumptions**

A summary of the economic assumptions that were used is given below:

Assumption	Previous Valuation 30 June 2017	Valuation 30 June 2018	Valuation 30 June 2019
------------	------------------------------------	---------------------------	---------------------------

Discount Rate	9.09% p.a.	9.54%	9.29%
Future Inflation	6.00% p.a.	6.51%	5.89%
Wage Inflation	7.00% p.a.	7.51%	6.89%
Net Gap Enhanced Gratuities	1.95% p.a.	1.89%	2.25%
Net Gap Standard Gratuities	0% p.a.	0%	0%

Discount Rate Assumption:

The average nominal yield curve for SA Government bonds with duration of 10 years have been used, as at 30 June 2018 and 2019. The resultant discount rate was 9.54% and 9.29% for 2018 and 2019, respectively. The source of the data is the Johannesburg Stock Exchange through I-net BFA data service.

Future Inflation Assumption:

The market's pricing of inflation has been estimated by comparing the yields on index-linked Government bonds and long-term Government bonds (at duration of 10 years). The implied inflation assumption is, therefore, 6.51% and 5.89% per annum for future inflation for 2018 and 2019, respectively.

Future Salary Inflation:

It has been assumed that salary inflation will exceed general inflation by 1.0% per annum. Therefore a salary inflation rate of 7.51% and 6.89% per annum has been used for 2018 and 2019, respectively.

Net Discount Rate:

The net discount rate (ignoring merit increases) is 1.89% and 2.25% per annum for 2018 and 2019, respectively, (derived from the discount rate of 9.54% and the expected salary inflation rate of 7.51% for 2018 and derived from a discount rate of 9.29% and the expected salary inflation of 6.89% for 2019).

The net gap used for the Standard Gratuity Pension is 0% since the benefit is assumed to increase annually by the discount rate. The Monetary Enhancement portion is assumed to remain constant until date of payment.

Demographic Valuation Assumptions**Pre-Retirement Mortality:**

It is assumed that the pre-retirement mortality will be in line with the SA85-90light table, rated down by 3 for female members, which is a table reflecting mortality experience in South Africa.

Withdrawal Rates

Withdrawal rates are provided for, as follows:

Age	Females	Males
20	24%	16%
30	15%	10%
40	6%	6%
50	2%	2%
55+	0%	0%

Assumed Retirement Age

The normal retirement age is 65 years. We have assumed that male employees will retire at age 63 and female employees will retire at age 58, which allows for the expected rates of early retirement.

Valuation Results

The Actuarial Liability on the Projected Unit Credit Method, based on actuarial assumptions described above, was as follows as at 30 June 2018 and 2019:

	30 June 2017 R'000	30 June 2018 R'000	30 June 2019 R'000
Standard Gratuity Pension Liability	10,234	10,307	9,481
Enhanced Gratuity Pension Liability	4,810	4,564	4,240
Monetary Enhancement	769	731	628
Total Accrued Liability	15,813	15,602	14,349
Balance Sheet Provision	15,813	15,602	14,349

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

47 Information on Post Retirement Benefits (Continued)**Actuarial Gains and Losses**

Disclosure of additional information relating to the costs and benefits that were paid or accrued in respect of employees during the financial periods 01 July 2017 to 30 June 2018 and 01 July 2018 to 30 June 2019, is as follows:

	Year Ending 30 June 2018 R'000	Year Ending 30 June 2019 R'000
Obligation		

Obligation at 01 July	15,813	15,602
Interest Cost	1,237	1,408
Service Cost	207	234
Gratuity Payments	-2,406	-1,083
Actuarial (Gain)/loss on basis	-16	-56
Actuarial (Gain)/loss on experience	767	-1,756
Obligation at 30 June	15,602	14,349

Projections

The projections of the expected change in the obligation over the period 01 July 2019 to 30 June 2021, is as follows:

Benefit Projection	Year Ending 30 June 2020 R'000	Year Ending 30 June 2021 R'000
Obligation at 01 July	14,349	10,646
Interest Cost	905	857
Service Cost	225	362
Expected Benefit Payments	-4,833	-1,785
Obligation at 30 June	10,646	10,080

Sensitivity Analysis

The tables below illustrate the likely impact certain changes to the underlying assumptions would have on the results:

Liability: the aggregate of the current service cost and interest cost components of net periodic costs; and

Cost/(Saving): the accumulated obligation for the non-funded gratuity benefits.

30 June 2018 Sensitivities

	2018 Assumption 9.54%	1% decrease 8.54%	1% increase 10.54%
Discount Rate			
Liability (R'000)	15,602	15,890	15,341
Cost / (Saving) (R'000)		288	-261

30 June 2019 Sensitivities

	2018 Assumption 9.29%	1% decrease 8.29%	1% increase 10.29%
Discount Rate			
Liability (R'000)	14,349	14,602	14,118
Cost / (Saving) (R'000)		253	-231

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

48 PROPERTY, PLANT AND EQUIPMENT RECONCILIATION

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
Restated Carry Value 1 July 2019					
Cost	2,091,509,659	18,417,900,049	3,602,755,037	1,581,969,124	25,694,133,869
Transfers/Adjustments - Costs					
Restatement - Cost		2,199,922	1,510,296	14,320	3,724,538
Disposal/Impairment					-
Transfers/Adjustments - Depreciation					
Accumulated Depreciation	(310,232,736)	(6,088,527,092)	(1,030,690,898)	(901,623,795)	(8,331,074,521)
	1,781,276,923	12,331,572,879	2,573,574,435	680,359,649	17,366,783,886
Movement during the year ended 30 June 2020					
Acquisitions/ Take-on	8,962,063	2,109,241			11,071,304
Transfers / Adjustments - Cost	36,979,653	759,879,702	53,087,881	(3,183,039)	818,746,607
Useful lives Adjustment - Depreciation	(6,561,572)	14,934,840	-	-	51,914,493
Depreciation	(40,842,562)	(1,707,712)	(110,519,688)	(99,276,032)	(8,269,284)
	(1,462,418)	72,517,136	(57,431,807)	(102,459,071)	(88,836,160)
Carry Value of Disposals/Impairments during the year ended 30 June 2020					
Cost	-				-
Depreciation	-				-
	-	-	-	-	-
Carrying Values at 30 June 2020	1,779,814,505	12,404,090,015	2,516,142,628	577,900,578	17,277,947,726
Summary - Carrying Values at 30 June 2020					
Summary - Cost	2,137,451,375	19,194,914,513	3,657,353,214	1,578,800,405	26,568,519,507
Summary - Accumulated Depreciation	(357,636,870)	(6,790,824,498)	(1,141,210,586)	(1,000,899,827)	(9,290,571,781)
	1,779,814,505	12,404,090,015	2,516,142,628	577,900,578	17,277,947,726

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
Restated Carry Value 1 July 2018					
Cost	2,067,301,622	16,933,264,976	3,473,508,914	1,440,191,354	23,914,266,866
Transfers/Adjustments - Costs					
Restatement - Cost		768,329			768,329
Disposal/Impairment					-
Transfers/Adjustments - Depreciation					
Accumulated Depreciation	(274,383,069)	(5,461,695,870)	(931,599,240)	(787,479,482)	(7,455,157,661)
	1,792,918,553	11,472,337,435	2,541,909,674	652,711,872	16,459,877,534
Movement during the year ended 30 June 2019					
Acquisitions	23,210,480	1,459,879,744	113,096,728	49,746,992	1,645,933,944
Transfers / Adjustments - Cost	997,557	23,987,000	16,973,093	93,808,243	135,765,893
Transfers / Adjustment - Depreciation	(35,849,667)	(626,831,222)	(98,836,424)	(115,812,450)	(877,329,763)
Depreciation					
	(11,641,630)	857,035,522	31,233,397	27,742,785	904,370,074
Carry Value of Disposals/Impairments during the year ended 30 June 2019					
Cost	-		(823,698)	(1,777,465)	(2,601,163)
Depreciation	-		(255,234)	1,668,137	1,412,903
	-	-	(1,078,932)	(109,328)	(1,188,260)
Carrying Values at 30 June 2019	1,781,276,923	12,329,372,957	2,572,064,139	680,345,329	17,363,059,348
Summary - Carrying Values at 30 June 2019					
Summary - Cost	2,091,509,659	18,417,900,049	3,602,755,037	1,581,969,124	25,694,133,869
Summary - Accumulated Depreciation	(310,232,736)	(6,088,527,092)	(1,030,690,898)	(901,623,795)	(8,331,074,521)
	1,781,276,923	12,329,372,957	2,572,064,139	680,345,329	17,363,059,348

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

49 HERITAGE ASSETS RECONCILIATION

Reconciliation of Carrying Value	Heritage Assets
Restated Carry Value 1 July 2019	
Cost	232,978,449
Transfers/Adjustments	-
Restatement - Cost	-
Disposal	-
Accumulated Impairment	(15,820,657)
	217,157,792
Movement during the year ended 30 June 2020	
Acquisition	1,063,855
Transfers / Adjustment / Take on	(7,157,159)
Impairment	(6,093,304)
Impairment value during the year ended 30 June 2020	
Cost	-
Amortisation	-
	-
Carrying Values at 30 June 2020	211,064,488
Summary - Carrying Values at 30 June 2020	
Summary - Cost	226,885,145
Summary - Accumulated Impairment	(15,820,657)
	211,064,488

Reconciliation of Carrying Value	Heritage Assets
Restated Carry Value 1 July 2018	
Cost	229,450,493
Transfers/Adjustments	-
Restatement - Cost	-
Disposal	-
Accumulated Impairment	-
	229,450,493
Movement during the year ended 30 June 2019	
Acquisition	3,075,851
Transfers / Adjustment	452,105
Impairment	(15,820,657)
	(12,292,701)
Impairment value during the year ended 30 June 2019	
Cost	-
Amortisation	-
	-
Carrying Values at 30 June 2019	217,157,792
Summary - Carrying Values at 30 June 2019	
Summary - Cost	232,978,449
Summary - Accumulated Impairment	(15,820,657)
	217,157,792

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

50 INTANGIBLE ASSETS RECONCILIATION

Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2019	
Cost	617,856,933
Transfers/Adjustments	-
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(249,263,653)
	368,593,280
Movement during the year ended 30 June 2020	
Acquisition	1,379,301
Transfers/Adjustments	-
Useful lives adjustment - Amortisation	(113,692,955)
Amortisation	(112,313,654)
Impairment/ Disposal value during the year ended 30 June 2020	
Cost	136,827,667
Amortisation	-41,446,949
	95,380,718
Carrying Values at 30 June 2020	160,898,908
Summary - Carrying Values at 30 June 2020	
Summary - Cost	482,408,567
Summary - Accumulated Amortisation	(321,509,659)
	160,898,908

Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2018	
Cost	601,049,806
Transfers/Adjustments	-
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(158,449,608)
	442,600,198
Movement during the year ended 30 June 2019	
Acquisition	16,807,127
Transfers/Adjustments	-
Transfers/Adjustments	(90,814,045)
Amortisation	(74,006,918)
Impairment/ Disposal value during the year ended 30 June 2019	
Cost	-
Amortisation	0
	-
Carrying Values at 30 June 2019	368,593,280
Summary - Carrying Values at 30 June 2019	
Summary - Cost	617,856,933
Summary - Accumulated Amortisation	(249,263,653)
	368,593,280

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

51 INVESTMENT PROPERTY RECONCILIATION

Reconciliation of Carrying Value	Investment Property
Restated Carry Value 1 July 2019	
Cost	290,642,147
Restatement - Cost	-
Transfers/Adjustments	-
Disposal	-
Restatement - Depreciation	-
Accumulated Depreciation	(73,816,625)
	216,825,522
Movement during the year ended 30 June 2020	
Acquisition / Take-on	
Transfers/Adjustments	(54,023,735)
Transfers/Adjustments	8,269,284
Depreciation	(5,983,529)
	(51,737,980)
Carry Value of Disposals for the year ended 30 June 2020	
Cost	-
Depreciation	-
	-
Carrying Values at 30 June 2020	165,087,542
Summary - Carrying Values at 30 June 2020	
Summary - Cost	236,618,412
Summary - Accumulated Depreciation	(71,530,870)
	165,087,542

Reconciliation of Carrying Value	Investment Property
Restated Carry Value 1 July 2018	
Cost	289,847,527
Restatement - Cost	-
Transfers/Adjustments	-
Disposal	-
Restatement - Depreciation	-
Accumulated Depreciation	(69,467,800)
	220,379,727
Movement during the year ended 30 June 2019	
Acquisition / Take-on	794,620
Transfers/Adjustments	-
Transfers/Adjustments	-
Depreciation	(4,348,825)
	(3,554,205)
Carry Value of Disposals for the year ended 30 June 2019	
Cost	-
Depreciation	-
	-
Carrying Values at 30 June 2019	216,825,522
Summary - Carrying Values at 30 June 2019	
Summary - Cost	290,642,147
Summary - Accumulated Depreciation	(73,816,625)
	216,825,522

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

52 FINANCIAL INSTRUMENTS

Financial instruments are classified into the following categories:

Financial assets: At Amortised Cost
 Financial liabilities: At amortised cost
 Financial Assets: At Fair Value

The classification of financial instruments is determined at initial recognition based on the purpose for which the financial assets are acquired or liabilities are assumed.

The amounts relating to financial instruments reflected below approximates fair value

	2019			Restated 2018		
	Financial Instruments at Amortised Cost R	Non financial assets R	Total R	Financial Instruments at Amortised Cost R	Non financial assets R	Total R
ASSETS						
Property, Plant and Equipment		17,277,947,726	17,277,947,726		17,363,059,348	17,363,059,348
Heritage Assets		211,064,488	211,064,488		217,157,792	217,157,792
Intangible Assets		160,898,908	160,898,908		368,593,280	368,593,280
Investment Property		165,087,542	165,087,542		216,825,522	216,825,522
Long-term Receivables - Exchange Transactions	33,754,038		33,754,038	60,508,659		60,508,659
Long-term Receivables - Non-exchange Transactions		19,389,791	19,389,791		29,687,964	29,687,964
Inventory		154,015,248	154,015,248		132,843,468	132,843,468
Trade Receivables - Exchange Transactions	1,908,793,060		1,908,793,060	1,628,698,450		1,628,698,450
Other Receivables	1,483,926,850		1,483,926,850	648,606,440		648,606,440
Current portion of long-term receivables	0		0	0		0
Short-term investment deposits (excluding Sanlam Shares)	2,309,903,834		2,309,903,834	3,009,413,994		3,009,413,994
Bank balances and cash	908,059,281		908,059,281	189,601,008		189,601,008
	6,644,437,063	17,988,403,703	24,632,840,766	5,536,828,551	18,328,167,374	23,864,995,925

	Financial Instruments at Amortised Cost R	Non financial liabilities R	Total R	Financial Instruments at Amortised Cost R	Non financial liabilities R	Total R
LIABILITIES						
Long-term Liabilities	1,016,371,753		1,016,371,753	1,116,776,821		1,116,776,821
Employee Benefit Obligation		1,820,657,249	1,820,657,249		2,041,991,000	2,041,991,000
Non-current Provisions		431,777,433	431,777,433		478,738,801	478,738,801
Consumer deposits	156,387,079		156,387,079	153,373,601		153,373,601
Current Employee Benefit Obligation		177,389,605	177,389,605		175,963,570	175,963,570
Current Provisions		3,275,000	3,275,000		82,002	82,002
Trade and Other Payables	1,853,593,475		1,853,593,475	2,243,514,682		2,243,514,682
Transfers and Subsidies	729,406,019		729,406,019	295,261,516		295,261,516
VAT		150,946,268	150,946,268		65,476,944	65,476,944
Current Portion of Long-term Liabilities	99,142,909		99,142,909	89,658,501		89,658,501
	3,854,901,235	2,584,045,555	6,438,946,790	3,898,585,121	2,762,252,317	6,660,837,438

Net Assets 18,196,305,742 18,196,305,742 17,207,356,716 17,207,356,716

Financial Asset at Fair Value

Sanlam Shares - Valued at the open market value

Financial Asset at Fair Value	Financial Asset at Fair Value
2,411,766 (2,411,766)	3,198,229 (3,198,229)
2,791,947,596 (2,791,947,596)	0 1,641,441,659 (1,641,441,659)
0	0

	2020	Restated 2019
Financial Asset at amortised cost		
Opening balance	5,536,828,551	4,724,892,868
Net other movements	1,107,608,512	811,935,683
Closing balance	6,644,437,063	5,536,828,551
Financial liabilities at amortised cost		
Opening balance	3,898,585,121	3,868,185,028
Net other movements	(43,683,886)	30,400,093
Closing balance	3,854,901,235	3,898,585,121

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

53 EXPLANATION FOR OPERATING VARIANCES:

APPROVED ORIGINAL BUDGET VS APPROVED FINAL BUDGET:

In terms of GRAP 24.27 the changes between the approved original budget and approved final budget are as a consequence of reallocations within the approved original budget and the inclusion of the roll-over of unspent conditional grants as at 30 June 2019 as approved by National Treasury.

The Original Budget was approved on 30 May 2019 for the 2019/20 financial year (01 July 2019 to 30 June 2020), and the Final Budget was approved on 29 June 2020.

NMBM uses the accrual basis of accounting for its Budget.

The reconciliation of the Original approved Budget and Final Adjustment Budget and Actual amounts are shown on the face of the Statement of Financial Performance, with the reasons in variances explained below.

ACTUAL VERSUS APPROVED FINAL ADJUSTMENT BUDGET (REVENUE AND EXPENDITURE)

Explanations of Significant Variances and those greater than 10% versus Budget - The 10% threshold was considered to be the best indicator to meet performance.

1 Service Charges

Actual electricity revenue in relation to industrial consumers were less than budgeted for.

2 Interest earned - Investments

Interest increased due to strict cash flow management.

3 Interest raised - Outstanding Debtors

Interest on outstanding debt reduced as a result bad debts write-offs.

4 Licences and Permits

Due to the ad hoc nature of this income source, accurate income projections are not possible.

5 Rental of facilities and equipment

Due to under utilisation of the facilities during the financial year.

6 Income for Agency Services

Due to the ad hoc nature of this income source, accurate income projections are not possible.

7 Other Revenue

Due to the ad hoc nature of this income source, accurate income projections are not possible. There were also a major decrease in Revenue from the Stadium as a result of the COVID-19 lockdown period.

8 Fines, Penalties and Forfeits

Due to an accurate assessment of actual outstanding Traffic Fines, the revenue as well as the impairment of Traffic Fines were adjusted accordingly

9 Transfers and Subsidies

The decrease is due to underspending of capital budget as result of COVID-19.

10 Impairment - Receivables

Due to the increase in tariffs as a result of water restrictions, it caused the debt to increase resulting in non-payment of outstanding debt by consumers.

11 Impairment - Other

Less Traffic Fines was impaired than initially anticipated.

12 Contracted Services

Significant underspending on certain expenditure items due to COVID-19.

13 Other Expenditure

Significant underspending in certain expenditure items due to COVID-19.

14 Other Materials

Significant underspending in certain expenditure items due to COVID-19.

15 Depreciation, Amortisation, Impairment

Refer to note 55.1 for further details.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY							
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020							
54. EXPLANATION FOR CAPITAL VARIANCES:							
APPROVED ORIGINAL BUDGET VS APPROVED FINAL BUDGET:							
In terms of GRAP 24.27 the changes between the approved original budget and approved final budget are as a consequence of reallocations within the approved original budget and the inclusion of the roll-over of unspent conditional grants as at 30 June 2019 as approved by National Treasury.							
The Original Budget was approved on 30 May 2019 for the 2019/20 financial year (01 July 2019 to 30 June 2020), and the Final Budget was approved on 29 June 2020.							
NMBM uses the accrual basis of accounting for its Budget.							
See below reconciliation between the Budget and the Actual expenditure:							
ACTUAL EXPENDITURE VERSUS 2019/20 CAPITAL BUDGET	Approved 2019/20 Capital Adjustments Budget		Total Final 2019/20 Capital Adjustments Budget	2019/20 Actual Expenditure as at 30 June 2020	Variance	% Variance	Explanation of Variances greater than 10 %
Infrastructure & Engineering - Roads & Storm water	480,068,408		480,068,408	221,047,363	259,021,045	54	Under-expenditure due to COVID 19
Human Settlements	200,628,549		72,181,149	42,244,850	29,936,299	41	Under-expenditure due to COVID 19
Economic Development, Tourism & Agriculture	26,604,511		26,604,511	10,360,865	16,243,646	61	Under-expenditure due to COVID 19
Sport, Recreational and Cultural Service	38,250,000		38,250,000	11,653,121	26,596,879	70	Under-expenditure due to COVID 19
Safety & Security	24,899,600		24,899,600	17,445,391	7,454,209	30	Under-expenditure due to COVID 19
Budget & Treasury	16,588,500		16,588,500	835,735	15,752,765	95	Under-expenditure due to COVID 19
Public Health	68,941,820		68,941,820	51,799,132	17,142,688	25	Under-expenditure due to COVID 19
Corporate Services	34,585,000		34,585,000	18,593,366	15,991,634	46	Under-expenditure due to COVID 19
Sanitation Service	173,550,000		158,880,000	133,898,925	24,981,075	16	Under-expenditure due to COVID 19
Water Service	389,413,040		411,083,040	204,230,222	206,852,818	50	Under-expenditure due to COVID 19
Electricity & Energy	145,426,090		160,426,090	125,489,061	34,937,029	22	Under-expenditure due to COVID 19
	1,598,955,518	0	1,492,508,118	837,598,030	654,910,088	44	

NOTE 55.1
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY: ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2020

	COST										ACCUMULATED DEPRECIATION								
	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments	Take-On	Acquisitions	WIP Acquisition	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments	Additions	Disposals	Impairment	Closing Balance	Carrying Value
Land & Buildings																			
Buildings	980,882,713		980,882,713	32,479,653	-	-	6,857,609	-	-	1,020,219,975	310,232,736		310,232,736	6,561,572	40,842,562	-	-	357,636,870	662,583,105
Land	1,110,626,947		1,110,626,947	4,500,000	2,104,454	-	-	-	-	1,117,231,402	-		-	-	-	-	-	-	1,117,231,402
	2,091,509,660	-	2,091,509,660	36,979,653	2,104,454	-	6,857,609	-	-	2,137,451,377	310,232,736	-	310,232,736	6,561,572	40,842,562	-	-	357,636,870	1,779,814,507
Infrastructure Assets																			
Roads, Sewerage & Stormwater Network	7,427,300,450	370,021	7,427,670,470		17,044,081	17,888,782	30,914,240	256,254,547		7,732,728,040	2,570,372,010		2,570,372,010		290,717,959			2,861,089,970	4,871,638,071
Beach Developments	73,275,718		73,275,718					882,948		91,202,747	17,356,908		17,356,908	1,707,712	2,338,587			21,403,208	69,799,540
Electricity Retiulation & Supply	3,410,518,425	23,181	3,410,541,606					95,124,480		3,505,666,085	1,157,257,038		1,157,257,038		100,697,230			1,257,954,268	2,247,711,818
Fencing	157,831,531		158,798,383					22,153,628		180,952,012	41,763,706		41,763,706		21,241,184			63,004,890	117,947,122
Sewerage Mains & Purification Works	3,088,046,989	508,651	3,088,555,640			174,635		132,674,582		3,221,604,856	1,145,263,329		1,145,263,329		1,272,700,351			1,948,904,505	44,728,152
Waste Disposal Facilities	47,259,141		47,259,141					1,894,262		49,153,404	3,410,503		3,410,503		1,043,749			4,454,252	44,739,152
Water Supply & Retiulation	2,754,802,830	181,859	2,754,984,689			500,000	19,831,765	91,372,296		2,866,688,750	869,686,879		869,686,879		121,038,356			990,725,235	1,875,963,515
Dams & Treatment Works	1,453,835,319		1,453,835,319				1	95,210,567		1,549,045,886	280,966,546		280,966,546		44,980,154			325,946,700	1,223,089,188
Wii-Infrastructure	6,604,949		6,604,949					6,604,949		12,209,898	2,450,171		2,450,171		1,158,045			4,608,216	1,986,734
	18,419,515,352	2,050,564	18,421,565,917	17,044,081	18,388,782	50,920,641	695,767,311	-	-	19,203,686,731	6,088,527,090	-	6,088,527,090	1,707,712	711,652,286	-	-	6,801,887,088	12,401,799,643
Community Assets																			
Libraries	41,746,571		41,746,571					2,933,578		44,680,149	14,342,298		14,342,298		1,185,303			15,527,602	29,152,547
Library Books	98,321,306		98,321,306					-		98,321,306	33,763,583		33,763,583		9,034,447			36,698,025	61,623,281
Fire Stations	75,158,763		75,158,763					249,010		75,407,795	25,324,196		25,324,196		3,296,179			28,619,375	46,788,420
Cemeteries	99,914,103		99,914,103					5,825,106		105,739,209	21,524,642		21,524,642		5,066,684			26,591,327	79,147,882
Clinics	5,744,470		5,744,470					5,744,470		11,488,940	1,364,397		1,364,397		2,130,003			3,504,399	3,614,377
Community Centres	268,666,475		268,666,475					268,885,331		536,551,806	85,376,342		85,376,342		7,968,134			93,374,676	175,510,655
Public Conveniences	12,363,618		12,363,618					1,295,764		13,659,382	3,423,694		3,423,694		411,678			3,835,272	9,784,110
Swimming Pools	90,695,698		90,695,698					3,073,858		93,769,556	28,486,636		28,486,636		2,512,054			31,000,689	62,768,867
Recreational Facilities	2,841,817,317	1,510,296	2,843,327,613		15,699,122	14,115,456		9,620,373		2,882,762,564	775,920,519		775,920,519		84,946,173			860,866,692	2,021,895,872
Selling & Letting Schemes	64,602,172		64,602,172					64,608,907		129,211,079	41,162,594		41,162,594		4,468,283			45,630,877	22,132,071
	3,599,030,493	1,510,296	3,600,540,789	-	15,699,122	14,115,456	23,273,303	-	-	3,653,628,670	1,030,696,900	-	1,030,696,900	-	110,519,686	-	-	1,141,210,588	2,512,416,082
Other Assets																			
Bins & Containers	29,983,253		29,983,253					34,817		30,019,089	9,513,511		9,513,511		3,553,917			13,067,429	16,951,661
Vehicles & Plant	640,899,336		640,899,336			14,067,794		-		654,967,130	426,840,701		426,840,701		31,753,007			488,593,708	196,403,422
Office Furniture & Fittings	225,932,116	14,320	225,916,436			13,144,271		-		239,060,707	195,156,334		195,156,334		17,712,823			202,869,156	36,191,571
Air Monitoring Facilities	24,511		24,511					-		24,511	11,626		11,626		1,189			12,815	11,695
Security Systems	10,395,538		10,395,538					-		10,395,538	10,395,537		10,395,537		1			10,395,538	-
Tip Sites	492,400,827		492,400,827	-88,921,680		-	6,318,767			448,795,914	143,565,623		143,565,623		46,295,114			189,850,737	258,974,577
Computer Hardware	182,363,542		182,363,542			13,144,271		-		195,507,813	126,140,463		126,140,463		-			126,140,463	69,367,351
	1,581,969,122	14,320	1,581,983,441	-88,921,680	-	40,386,337	5,354,093	-	-	1,578,800,402	901,623,794	-	901,623,794	-	99,276,032	-	-	1,000,899,626	577,960,576
	25,692,024,628	3,575,180	25,695,599,807	5,100,265	36,192,358	105,422,434	731,292,316	-	-	26,573,567,180	8,331,074,520	-	8,331,074,520	6,269,284	962,290,548	-	-	9,301,634,373	17,271,932,807

<p style="text-align: center;">NOTE 55.1 (CONTINUED)</p> <p style="text-align: center;">NELSON MANDELA BAY METROPOLITAN MUNICIPALITY: ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2020</p>																			
	COST										ACCUMULATED AMORTISATION								
	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments/	Take-On	Acquisitions	WIP Acquisition	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Transfer	Additions	Disposals	Impairment	Closing Balance	Carrying Value
Intangible																			
Computer Software - Internally Generated	219,956,400		219,956,400				-			219,956,400	67,082,319		67,082,319		64,116,636			131,198,955	88,757,445
Computer Software - Other	397,900,534		397,900,534				1,379,301		136,827,667	262,452,169	182,181,334		182,181,334		49,576,320		-41,446,949	190,310,705	72,141,463
	617,856,934		617,856,934				1,379,301		136,827,667	482,408,569	249,263,654		249,263,654		113,692,956		-41,446,949	321,509,660	160,898,908
<p style="text-align: center;">NELSON MANDELA BAY METROPOLITAN MUNICIPALITY: ANALYSIS OF INVESTMENT PROPERTY AS AT 30 JUNE 2020</p>																			
	COST										ACCUMULATED DEPRECIATION								
	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments/	Take-On	Acquisitions	WIP Acquisition	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Transfer	Additions	Disposals	Impairment	Closing Balance	Carrying Value
Investment Property																			
Land & Buildings	290,642,148		290,642,148	-54,023,735	-	-	-	-	-	236,618,413	73,816,626	-	73,816,626	-8,269,284	5,983,529	-	-	71,530,871	165,087,542
<p style="text-align: center;">NELSON MANDELA BAY METROPOLITAN MUNICIPALITY: ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2020</p>																			
	COST										ACCUMULATED DEPRECIATION								
	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments/	Take-On	Acquisitions	WIP Acquisition	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Transfer	Additions	Disposals	Impairment	Closing Balance	Carrying Value
Heritage Assets																			
Heritage Buildings	144,390,859		144,390,859	-7,157,159	1 000 RRR	-	-	-	-	138,297,555	-		-	-	-	-	-	-	138,297,555
Memorials & Statues	48,070,066		48,070,066			-	-	-	-	48,070,066	-		-	-	-	-	-	-	48,070,066
Land	6,655,783		6,655,783			-	-	-	-	6,655,783	-		-	-	-	-	-	-	6,655,783
Art Works	17,588,979		17,588,979			-	-	-	-	17,588,979	-		-	-	-	-	-	-	17,588,979
	216,705,687	-	216,705,687	-7,157,159	1,003,855	-	-	-	-	210,612,383	-	-	-	-	-	-	-	-	210,612,383
Grant Totals Assets	36,817,229,396	3,575,180	26,820,804,575	-56,080,639	37,256,213	194,800,183	732,631,617	-	136,827,667	27,592,584,292	8,654,154,800	-	8,654,154,800	0	1,081,967,053	-	-41,446,949	9,694,674,904	17,808,531,639

Difference to FAR

The amount of impairment losses recognized, and the amount of impairment losses reversed, during the period is in accordance with GRAP 26. There were no transfers from PPE to Inventory.

NOTE 55.2
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY

WORK IN PROGRESS (WIP) / UNDER-CONSTRUCTION included in the Carrying Value as per note 55.1

PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2020

Details	Opening Balance	Acquisition	Transferred to Asset	Closing Balance
Land & Buildings				
Buildings	12,815,443	6,857,609	-15,474,657	4,198,395
	12,815,443	6,857,609	-15,474,657	4,198,395
Infrastructure Assets				
Roads, Sidewalks & Stormwater Network	400,216,848	256,472,583	-325,267,093	331,422,338
Beach Developments	2,676,250	882,948	-2,673,906	885,292
Electricity Reticulation & Supply	8,807,035	94,421,617	-69,634,913	33,593,740
Fencing	1,062,729	23,120,481	-2,196,711	21,986,498
Sewerage Mains & Purification Works	488,203,238	133,383,233	-249,718,838	371,867,633
Waste Disposal Facilities	8,356,541	1,894,262	-8,356,541	1,894,262
Water Supply & Reticulation	234,480,035	91,554,155	-122,497,291	203,536,899
Dams & Treatment Works	106,906,669	95,210,567	-100,947,652	101,169,585
	1,250,709,344	696,939,847	-881,292,944	1,066,356,246
Community Assets				
Libraries	10,795,215	2,933,578	-1,627,551	12,101,241
Fire Stations	5,024,908	249,032	-5,273,941	-
Cemeteries	9,586	5,825,106	-9,586	5,825,106
Clinics	613,965	-	-613,965	-
Community Centres	946	218,856	-219,802	-
Swimming Pools	3,378,993	3,073,858	-3,378,993	3,073,858
Public Conveniences		1,255,764	-2,344	1,253,420
Recreational Facilities	3,895,857	22,384,687	-3,102,551	23,177,992
	23,719,470	35,940,881	-14,228,734	45,431,617
Other Assets				
Tip Sites	7,273,547	5,318,257	-7,272,974	5,318,829
Bins & Containers	343,892	35,837	-379,729	-
	7,617,439	5,354,093	-7,652,703	5,318,829
	1,294,861,695	745,092,430	-918,649,038	1,121,305,087
INTANGIBLE ASSETS AS AT 30 JUNE 2020				
Intangible				Amount
Computer Software	372,189	1,379,301	-372,189	1,379,301
INVESTMENT PROPERTY AS AT 30 JUNE 2020				
Investment Property				Amount
Land & Buildings	-	-	-	-
HERITAGE ASSETS AS AT 30 JUNE 2020				
Heritage Assets				Amount
				-
Grand Total	1,295,233,885	746,471,731	-919,021,227	1,122,684,389

Some property, plant and equipment have taken a longer period to complete than expected, due to delays.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

56 EXPLANATION FOR VARIANCES:

APPROVED ORIGINAL BUDGET VS APPROVED FINAL BUDGET:

In terms of GRAP 24.27 the changes between the approved original budget and approved final budget are as a consequence of reallocations within the approved original budget and the inclusion of the roll-over of unspent conditional grants as at 30 June 2019 as approved by National Treasury.

The Original Budget was approved on 30 May 2019 for the 2019/20 financial year (01 July 2019 to 30 June 2020), and the Final Budget was approved on 29 June 2020.

NMBM uses the accrual basis of accounting for its Budget.

The reconciliation of the Original approved Budget and Final Adjustment Budget and Actual amounts are shown on the face of the Statement of Financial Position, Statement of Financial Performance and Statement of Cash Flows, with the reasons in variances explained below.

56.1 ACTUAL VERSUS APPROVED FINAL ADJUSTMENT BUDGET (STATEMENT OF FINANCIAL POSITION)

Explanations of Significant Variances and those greater than 10% versus Budget - The 10% threshold was considered to be the best indicator to meet performance targets.

1 Total Accumulated Funds

The accumulated funds variance is affected by all the other variances and their explanations are given below.

2 Non-current Provisions - Employee Benefits

These provisions are calculated by experts, of which various factors are taken into account to determine the valuation.

Non-current Provisions - Other

These provisions are calculated by experts, of which various factors are taken into account to determine the valuation.

3 Current Provisions - Employee Benefits

These provisions are calculated by experts, of which various factors are taken into account to determine the valuation.

4 Trade and Other Payables

Due to the underspending of the capital budget.

5 Property, Plant and Equipment (PPE)

Refer to Note 54, which gives a breakdown of the under-expenditure as a result of COVID-19, various projects could not continue or be undertaken.

6 Intangible Assets

The budget for Intangibles Assets did not include the impairment of certain assets, which were written out of the books.

7 Investment Property

Reclassification of Investment Property to PPE.

8 Long-term Receivables

The variance is as a result of consumers defaulting during the COVID-19 period, with the billing system automatically cancelling arrangements when the consumers default.

9 Trade Receivables - Exchange Transactions and Non-Exchange Transactions

The Trade Receivables - Exchange and Non-Exchange is budgeted as one and thus included with the R2.221 billion budget.

Refer Note 15 of the AFS - there is a significant increase in residential consumer debt. Due to the increase in tariffs and also as a result of water restrictions which caused the debt to increase resulting in non-payment of outstanding debt by consumers.

10 Other Receivables - Exchange Transactions

The increase in Other Receivables is due to accruals being raised for outstanding grants not yet received from NT in the amount of R753.8 million - refer note 16 for a breakdown of the grants.

11 Call deposits and Investments

The decrease is due to less money being invested over the COVID-19 period.

12 Bank Balances and Cash

The increase is due to less funds being invested over the COVID 19 period.

56.2 ACTUAL VERSUS APPROVED FINAL ADJUSTMENT BUDGET (STATEMENT OF CASH FLOWS)

Explanations of Significant Variances and those greater than 10% versus Budget - The 10% threshold was considered to be the best indicator to meet performance.

1 Sale of goods and services, fines and taxes levied

Refer to Notes 21.1 and 23.2 in the AFS. Reduction is mainly related to the Sale of Electricity and Other Revenue.

2 Grants

The reduction is due to outstanding grants in the amount of R753.8 million not yet received from NT.

3 Interest received

Interest increased due to strict cashflow management.

4 Employee Costs

Less than anticipated.

5 Cash paid to Suppliers

Due to underspending of the Operating and Capital Budgets.

6 Purchase of Intangibles Assets, Investment Property, Heritage Assets

Due to underspending of the Capital Budget.

Appendix A - Unaudited									
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY									
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020									
2019	Actual	2019	2019		2020	Actual	2020	Actual	2020
Income		Actual	Surplus/ (Deficit)		Income		Expenditure		Surplus/ (Deficit)
	13,937,247	265,130,676	(251,193,429)	Executive and Council		56,210,209	312,315,738		(256,105,529)
	3,333,659,809	885,714,413	2,447,945,396	Budget and Treasury		3,461,150,804	795,063,921		2,666,086,883
	20,065,589	374,542,822	(354,477,233)	Corporate Services		13,064,141	389,523,419		(376,459,278)
	409,110,028	657,349,366	(248,239,338)	Public Health		461,158,536	719,270,402		(258,111,866)
	217,030,209	218,265,429	(1,235,220)	Human Settlements		65,902,225	202,224,365		(136,322,140)
	441,070,327	915,117,982	(474,047,655)	Safety and Security		562,056,873	911,676,253		(349,619,380)
	399,623,489	866,881,099	(467,257,610)	Infrastructure and Engineering - R & G		204,650,737	830,585,095		(625,934,358)
	1,417,699,099	1,013,922,592	403,776,507	Water		1,600,618,528	1,191,490,605		409,127,923
	3,913,842,685	3,781,406,388	132,436,297	Electricity and Energy		3,928,160,664	4,101,323,903		(173,163,239)
	117,033,264	198,449,560	(81,416,296)	Economic Development, Tourism and Agriculture		135,750,997	113,889,155		21,861,842
	32,656,308	401,804,126	(369,147,818)	Sports, Recreation, Arts and Culture		21,525,275	385,461,088		(363,935,813)
	1,016,324,299	542,651,709	473,672,590	Sanitation		1,070,315,414	617,521,124		452,794,290
	19,939,591	49,060,450	(29,120,859)	NMBM Stadium		43,471,640	64,722,474		(21,250,834)
	7,075,252	8,806,391	(1,731,139)	Special Projects		13,952,690	10,220,587		3,732,103
	<u>11,359,067,196</u>	<u>10,179,103,003</u>	<u>1,179,964,193</u>	Total		<u>11,637,988,733</u>	<u>10,645,288,129</u>		<u>992,700,604</u>

Appendix B

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY

DISCLOSURES OF CONDITIONAL GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2020

Name of Grants	Name of Organ of State	Quarterly Receipts				Total Funds Received	Quarterly Expenditure					Reasons for Delay	Did Municipality comply with grant conditions
		July-Sept	Oct-Dec	Jan- Mar	April-June		July-Sept	Oct-Dec	Jan- Mar	April-June	Total Spent		
Financial Management Grant	NT	1,000,000	-	-	-	1,000,000	142,601	176,229	153,981	527,189	1,000,000	N / A	Yes
National Electrification Programme	DME		-			-					-	N / A	Yes
Urban Settlement Development Grant	DPLG	243,921,000	341,490,000			585,411,000	77,141,435	156,560,084	119,725,160	318,264,527	671,691,206	N / A	Yes
Transport or PTIS	NT	138,134,000	61,846,000			199,980,000	22,546,033	34,886,084	26,598,420	35,584,556	119,615,092	N / A	Yes
Neighbourhood Development Partnership Grant	NT	5,000,000	10,000,000			15,000,000		5,990,143	2,186,504	3,738,348.73	11,914,995	N / A	Yes
Expanded Public Works Programme Intergrated Grant	NT	2,238,000	4,028,000	2,684,000		8,950,000	-77,790	3,168,041	2,926,484	4,030,518	10,047,253	N / A	Yes
Infrastructure Skill Development Grant	NT	4,500,000		5,000,000		9,500,000	3,219,048	1,280,952	2,733,102	2,266,898	9,500,000	N / A	Yes
Intergrated City Development Grant	NT	6,349,000	6,348,000			12,697,000	298,129	1,489,313	2,309,361	8,248,931	12,345,735	N / A	Yes
Disaster Relief Grant	NT	-	-	-	-	-			6,833,954	12,782,476	19,616,430	N / A	Yes

Appendix C - Unaudited
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
TOTAL ACCUMULATED FUNDS FOR THE YEAR ENDED 30 JUNE 2020

TOTAL ACCUMULATED FUNDS	2020	Restated 2019
	R	R
Made up as follows:		
Capital Replacement Reserve	227,353,908	45,047,783
Government Grants Reserve	10,446,421,817	9,815,969,483
Donations and Public Contributions Reserves	461,183,174	448,968,182
Self-Insurance Reserve	85,600,224	60,000,000
COVID Reserve	46,521,089	41,321,868
Accumulated Surplus	6,929,225,530	6,796,049,400
	18,196,305,742	17,207,356,716